

**SYJC ACCOUNTS PRELIM JAN'18
SOLUTION (22.1.2018)**

Q. No. 1 (A)

Note : Question 1 is an objective question. In this question 5 sub-questions carrying 5 marks each such as answer in one sentence, write technical term, select correct alternative, state True or False and draft specimen of Bills of Exchange are given. Out of 5 sub-questions students are expected to attempt any 3 they find easier.

Note : In this sub-question 5 questions carrying 1 mark each from different chapters will be asked. Write answers to each question in one complete sentence only. Avoid writing 2 or more sentences. Do not change the order of the questions given.

- (1) Statement of Profit or Loss is prepared under the Single Entry System to ascertain profit.
- (2) The debit balance of insolvent partner's Capital Account which insolvent partner cannot pay is called capital deficiency.
- (3) Non-recurring expenses are those capital expenses which are spent for acquisition of fixed assets like purchase of land or furniture, in order to run the concern and it gives benefits for a long period say more than 3 years.
- (4) Gain ratio is calculated at the time of retirement of a partner by deducting old ratio from new ratio.
- (5) A bill of exchange is said to be retired if its acceptor makes payment of it before its due date, usually after deducting some discount or rebate.

(Marking Scheme : Each correct answer carries 1 mark. Total marks : 5)

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Q. No.

1 (B)

Note : In this sub-question 5 statements from different chapters will be set. Write correct word/term or phrase. Do not change the order of the statements given.

- (1) Bad debts
- (2) Drawee
- (3) Gross Profit ratio / Turnover ratio
- (4) Dissolution of partnership firm
- (5) Notary public.

(Marking Scheme : Each correct answer carries 1 mark. Total marks : 5)

1 (C)

Note : In this sub-question 5 statements from different chapters will be given with one gap to fill in by selecting most appropriate answer from 4 alternative answers given below each statement. Write complete statements with given gap filled in, selected from given alternatives and underline the word filled in. Do not change the order of given statements.

- (1) Goodwill is an intangible asset.
- (2) Debenture is an acknowledgement of debt under common seal of a company.
- (3) When closing capital is greater than opening capital, it denotes Profit.
- (4) Cash proceeds from the issue of debentures is a Financial activity.
- (5) Payee is a person to whom the amount on a bill is payable.

(Marking Scheme : Each correct answer carries 1 mark. Total marks : 5)

Q. No.

1 (D)

Note : In this sub-question 5 statements from different chapters will be given. Write only True or False as the case may be. There is no need to write statements. No reasons are expected. Do not change the order of the statements given.

(1) True

(2) False

(3) True

(4) False

(5) False

(Marking Scheme : Each correct answer carries 1 mark. Total marks : 5)

Q. No. 1 (E)

Note : In this sub-question you are expected to draft the specimen of bill of exchange by incorporating the given information in the question such as names and addresses of drawer, drawee and payee, date of bill drawn and accepted, amount of bill and period of the bill. Draft neat and clean specimen of Bill of Exchange.

BILL OF EXCHANGE	
Stamp	Shri Ratnakar Patil, 205, New Bazaar, Amaravati, Date : 25th August, 2013.
₹ 25,000/-	
Three months after date, pay to Shri Rohit Joshi, Kedareshwar Market, Ladjalgaon or his order, the sum of Rupees Twenty Five Thousand only, for the value received.	
To	Sd./- (Shri Ratnakar Patil)
Shri Jairam Purohit, Hiwarkheda Road, Kannad.	Accepted Sd./- (Shri Jairam Purohit) Date : 28th August, 2013

(Marking Scheme :

Marks

(1) Stamp and Amount

1

(2) Drawer's name, address and date of bill

1

(3) Text Matter

1

(4) Drawee's name and address

1

(5) Drawer's Signature

1

(6) Drawee's Signature

1

(7) Date of acceptance

1

Total marks :

5

Note : In Q. 2, one practical problem on Single Entry System carrying 8 marks is given in options to other two theory questions of 4 marks each on Financial Statements. The students may either attempt problem on Single Entry System or 2 theory questions on Financial Statements.

Note : This is a practical question on single entry system. You are expected to prepare Opening Statement of Affairs to find out opening capital balance (if not given), Closing Statement of Affairs to find out closing capital balance and Statement of Profit or Loss to find out net profit or loss.

In the books of Mr. John

Statement of Affairs

Liabilities	1.04.2012	31.03.2013	Assets	1.04.2012	31.03.2013
	₹	₹		₹	₹
Sundry Creditors	54,500	60,400	Machinery	70,000	70,000
			Furniture	10,000	20,000
Capital funds	1,78,700	2,16,400	Stock	36,000	42,000
(Balancing figure)			Sundry Debtors	72,200	88,400
			Cash in Hand	3,000	4,100
			Cash at Bank	42,000	52,300
	2,33,200	2,76,800		2,33,200	2,76,800

Statement of Profit or Loss for the year ended 31st March, 2013

Particulars	Amount (₹)	Amount (₹)
Capital at the end of the accounting year 2012 - 13 :		2,16,400
Add : Drawings made during the accounting year 2012 - 13 :		15,000
		2,31,400
Less : Additional capital introduced during the accounting year 2012-13 :		20,000
Adjusted Capital :		2,11,400
Less : Capital at the beginning of the accounting year 2012 - 13 :		1,78,700
Trading profit/Profit before adjustments		32,700
Less : Depreciation :		
(1) On Machinery (10% on ₹ 70,000 for 1 year)	7,000	
(2) On Furniture :		
20% p.a. on ₹ 10,000 for 1 year	2,000	
20% p.a. on ₹ 10,000 for 1/2 year	1,000	10,000
Net Profit earned during the year 2012 - 13 :		22,700

[Marking Scheme :

Marks

(1) Opening Statement of Affairs (8 entries × $\frac{1}{4}$ mark each) 2

(2) Closing Statement of Affairs (8 entries × $\frac{1}{4}$ mark each) 2

(3) Statement of Profit or Loss (8 entries × $\frac{1}{2}$ mark each) 4

Total marks : 8

Q. No.

2

OR

Note : This is theory question. There are 2 sub-questions. Both the questions will be set on Financial Statements. Both the questions are compulsory. In each answer at least 4 points with sub-titles and brief explanation are expected.

(A) Objectives of Ratios : The objectives of ratios are explained as follows :

(1) Comparative analysis : Accounting ratios facilitate easy comparative analysis of profitability, liquidity and solvency of the business.

(2) Help in knowing changes : Accounting ratios are helpful to know the changes that take place in the business.

(3) Help in decision making : Accounting ratios help in decision making in vital areas such as operating, investing and financing. They show how far they are helpful to improve the performance.

(4) Useful for various comparison : Accounting ratios are helpful to make different types of comparisons like (i) Intra firm comparison i.e. comparison within the firm over number of years and (ii) Inter firm comparison i.e. comparison between two firms when specific standard for the firms or industry is established.

(Marking Scheme : This sub-question carries 4 marks)

(B) Various sources of cash inflows from operating activities : The main activities or production activities which create or produce principal revenue for the business organisation are called operating activities. They indicate 'internal' solvency of a business unit. Cash inflow from operating activities include :

(1) Cash sale of Goods : Business enterprises either manufactures the goods (or services) or purchases them on large scale for the purpose of sale at higher prices. Cash sale of goods and services constitutes the main sources of cash inflow from operating activities.

(2) Receipt from Debtors : After selling goods/services or lending money to the consumers, business enterprises grants certain period of time for making payments. The collection of money from such debtors on different due dates also constitutes the source of cash inflow.

(3) Receipt of commission : Some business enterprises render different types of services to their consumers. In consideration of such services business enterprises get commission at predetermined rate. The receipt or collection of commission also constitutes the sources of cash inflow.

(4) Cash received from royalty : Payment received for granting the right to use a patent or a copy right. Author's royalty is determined by the total number of his books sold by the publisher. Royalties are received generally for licensing of intellectual property. Cash received by the business enterprises from royalty is another important source of cash inflow.

(5) Other revenue receipts : Other revenue such as dividend and interest receivable on investments, insurance claim due from insurance company, etc. constitutes source of cash inflow.

Note : In this question, 2 practical questions from 3 topics viz. Admission of Partner, Retirement of partner and Death of partner by ignoring one of them will be set. You are expected to attempt any 1 out of 2 problems given. In these types of problems, the students are expected to prepare Journal and Balance Sheet or Ledger Accounts such as Profit and Loss Adjustment Account, Partners' Capital Accounts, etc. and Balance Sheet. Working Notes are also required to be given to support your answer.

In the books of Partnership Firm

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount		Particulars	Amount	
	₹	₹		₹	₹
To Furniture A/c (Depreciation)		1,500	By Stock A/c (Appreciation in value)		2,500
To Partners' Capital A/cs : (Profit)					
Ram	500				
Madan	500	1,000			
		2,500			2,500

Dr. Partners' Capital Accounts Cr.

Particulars	Ram ₹	Madan ₹	Sohan ₹	Particulars	Ram ₹	Madan ₹	Sohan ₹
To Goodwill A/c	10,000	10,000	10,000	By Balance b/d	1,00,000	1,00,000	—
				By General Reserve A/c	20,000	20,000	—
				By Bank A/c (Capital contribution)	—	—	1,00,000
				By Goodwill A/c	15,000	15,000	—
				By Profit & Loss Adj. A/c (Profit)	500	500	—
To Balance c/d	1,25,500	1,25,500	90,000				
	<u>1,35,500</u>	<u>1,35,500</u>	<u>1,00,000</u>	By Balance b/d	1,25,500	1,25,500	90,000

Balance Sheet as on 1st April, 2012

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Sundry Creditors		55,300	Plant and Machinery :		90,000
Partners' Capital A/cs :			Furniture :	15,000	
Ram	1,25,500		Less : Depreciation @ 10 %	1,500	13,500
Madan	1,25,500		Sundry Debtors		91,000
Sohan	90,000	3,41,000	Stock	68,000	
			Add : Increase in value	2,500	70,500
			Cash in Hand		4,200
			Cash at Bank		1,27,100
		<u>3,96,300</u>			<u>3,96,300</u>

Working Notes :

(1) Calculation of New Ratio :

Old Ratio of Ram and Madan is equal i.e. $\frac{1}{2} : \frac{1}{2}$.

Share given to Sohan = $\frac{1}{3}$

\therefore Balance of 1 = $1 - \frac{1}{3} = \frac{2}{3}$.

New Ratio = (Balance of 1) \times Old Ratio.

Ram's New Ratio = $\frac{2}{3} \times \frac{1}{2} = \frac{1}{3}$ and

Madan's New Ratio = $\frac{2}{3} \times \frac{1}{2} = \frac{1}{3}$.

Sohan's Ratio = $\frac{1}{3}$

\therefore New ratio of Ram, Madan and Sohan is $\frac{1}{3} : \frac{1}{3} : \frac{1}{3}$ i.e. 1 : 1 : 1 respectively.

(2) Goodwill is raised to the extent of ₹ 30,000. The benefit of goodwill divided and transferred to old partners', Capital A/cs (credit side) in their old ratio which is equal. Hence Goodwill A/c is credited to Ram's A/c by ₹ 15,000 and Madan's A/c by ₹ 15,000.

(3) Goodwill is written off and debited to all partners' Capital A/cs in their new ratio which is equal.

\therefore Each partner's Capital A/c is debited by ₹ 10,000.

(4) Depreciation charged on Furniture = 10% of 15,000 = ₹1,500.

(5) Increase in the Value of Stock = Revised value - Book value
= 70,500 - 68,000 = ₹2,500.

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(6) Goodwill A/c and Bank A/c are prepared to find out their closing balances :

Dr.		Goodwill A/c		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹		
To Ram's Capital A/c	15,000	By Ram's Capital A/c	10,000		
To Madan's Capital A/c	15,000	By Madan's Capital A/c	10,000		
		By Shohan's Capital A/c	10,000		
	<u>30,000</u>		<u>30,000</u>		

Dr.		Bank A/c		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹		
To balance b/d	27,100				
To Sohan's Capital A/c	1,00,000	By Balance c/d	1,27,100		
	<u>1,27,100</u>		<u>1,27,100</u>		
To Balance b/d	<u>1,27,100</u>				

[Marking Scheme :

(1) Profit and Loss Adjustment Account (4 entries $\times \frac{1}{2}$ mark each) 2

(2) Partners' Capital Accounts (14 entries $\times \frac{1}{2}$ mark each) 3 $\frac{1}{2}$

Entry for Sohan's capital contribution $\frac{1}{2}$

(3) Balance Sheet of New firm :

8 accounting entries carry $\frac{1}{2}$ mark each ($8 \times \frac{1}{2}$) 4

Total marks : 10

Journal of Partnership Firm

Date	Particulars	L.F. No.	Debit ₹	Credit ₹
2013	Reserve Fund A/c Dr.		50,000	
March 31	To Sharmila's Capital A/c			25,000
	To Urmila's Capital A/c			15,000
	To Pramila's Capital A/c			10,000
	(Being reserve fund distributed and transferred to all partners' Capital A/cs in their old ratio)			
31	Goodwill A/c Dr.		12,000	
	To Pramila's Capital A/c			12,000
	(Being Goodwill raised and credited to Pramila's Capital A/c)			
31	Sharmila's Capital A/c Dr.		7,500	
	Urmila's Capital A/c Dr.		4,500	
	To Goodwill A/c			12,000
	(Being Goodwill written off and debited to remaining partners' Capital A/cs in their gain ratio)			
31	Land and Building A/c Dr.		20,000	
	Stock A/c Dr.		2,000	
	To Profit and Loss Adjustment A/c			22,000
	(Being appreciation in the value of Assets recorded)			
31	Profit and Loss Adjustment A/c Dr.		2,000	
	To Furniture A/c			2,000
	(Being the furniture depreciated in value)			
31	Profit and Loss Adjustment A/c Dr.		20,000	
	To Sharmila's Capital A/c			10,000
	To Urmila's Capital A/c			6,000
	To Pramila's Capital A/c			4,000
	(Being profit on revaluation of assets and liabilities transfer to partners' Capital A/cs)			

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31	Pramila's Capital A/c	Dr.	1,26,000	
	To Pramila's Loan A/c			1,26,000
	(Being balance due to Pramila transferred to her Loan A/c)			
	<u>Total :</u>		<u>2,44,000</u>	<u>2,44,000</u>

Working Notes :

(1) On the basis of above journal, following ledger accounts are prepared to find out profit or loss on revaluation of assets and liabilities and amount payable to retiring partner on his retirement.

Dr. Profit and Loss Adjustment Account Cr.					
Particulars	Amount		Particulars	Amount	
	₹	₹		₹	₹
To Furniture A/c		2,000	By Land and Buildings A/c		20,000
To Partners' Capital A/cs:			By Stock A/c		2,000
Sharmila	10,000				
Urmila	6,000				
Pramila	4,000	20,000			
		<u>22,000</u>			<u>22,000</u>

Dr. Partners' Capital Accounts Cr.							
Particulars	Sharmila	Urmila	Pramila	Particulars	Sharmila	Urmila	Pramila
	₹	₹	₹		₹	₹	₹
To Goodwill A/c	7,500	4,500	—	By Balance b/d	2,00,000	1,50,000	1,00,000
To Pramila's Loan A/c	—	—	1,26,000	By Reserve Fund	25,000	15,000	10,000
				By Goodwill A/c	—	—	12,000
				By Profit & Loss Adjustment A/c	10,000	6,000	4,000
To Balance c/d	2,27,500	1,66,500	—				
	<u>2,35,000</u>	<u>1,71,000</u>	<u>1,26,000</u>		<u>2,35,000</u>	<u>1,71,000</u>	<u>1,26,000</u>

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(2) Pramila's Share in Goodwill = (Value of Goodwill raised) × (Pramila's Share in Profit)

$$= 60,000 \times \frac{2}{5+3+2} = 60,000 \times \frac{2}{10} = ₹ 12,000.$$

(3) Old ratio of Sharmila, Urmila and Pramila = 5 : 3 : 2 i.e. $\frac{5}{10} : \frac{3}{10} : \frac{2}{10}$

∴ New ratio of Sharmila and Urmila = 5 : 3 i.e. $\frac{5}{8}$ and $\frac{3}{8}$

Gain ratio = New ratio - Old ratio.

$$\text{Sharmila's Gain ratio} = \frac{5}{8} - \frac{5}{10} = \frac{25-20}{40} = \frac{5}{40}$$

$$\text{Urmila's Gain ratio} = \frac{3}{8} - \frac{3}{10} = \frac{15-12}{40} = \frac{3}{40}$$

∴ Gain ratio of Sharmila and Urmila = $\frac{5}{40} : \frac{3}{40}$ i.e. 5 : 3.

(4) Goodwill of ₹ 12,000 is written off after the retirement of Pramila. Hence Sharmila's Capital A/c and Urmila's Capital A/c debited in gain ratio i.e. by ₹ 7,500 (i.e. $12,000 \times \frac{5}{8}$) and ₹ 4,500 (i.e. $12,000 \times \frac{3}{8}$)

(5) Appreciation in the value of Stock = Revised value - Book value
= 58,500 - 56,500 = ₹ 2,000.

(6) Depreciation charged on furniture = 10% on 20,000 = ₹ 2,000

(Marking Scheme :

Marks

(1) Journal entry for transfer of balance of Pramila's Capital

A/c to her Loan A/c carries 1 mark.

1

(2) Remaining 6 journal entries carry $1\frac{1}{2}$ mark each

09

$$\left(6 \times 1\frac{1}{2}\right)$$

Total marks : 10]