

Solution SET A

Q1. Attempt any THREE of the following.

(15 marks)

A. Answer in one sentence only: (5 MARKS)

(1) What is Partnership Deed?

Ans: A partnership deed is a written agreement duly stamped, signed and registered document containing the terms and conditions of the partnership.

(2) What is Bill of Exchange?

Ans. A bill of exchange is a negotiable instrument containing an unconditional order signed by the maker directing a certain person to pay a certain sum of money only to the bearer of the instrument.

(3) What do you mean by Scrap Value of an asset?

Ans: The net amount which is expected to be realised on the final disposal of a fixed asset is called 'scrap value'.

(4) What are Noting Charges?

Ans: Noting charges are the fees charged by the Notary Public for noting the dishonour on the face of the bill and in his official register.

(5) What is Single Entry System?

Ans. It is an unscientific system of recording transactions where only one aspect of the transaction is recorded.

B. Write the word / Term / Phrase which can substitute each of the following statement:

1. A person who draws a bill of exchange. (Drawer)
2. Winding up of partnership business. (Dissolution of partnership firm)
3. The credit balance of Profit and Loss Account. (Net Profit)
4. An excess of assets over liabilities. (Capital)
5. The account which shows change in the values of assets. (Revaluation Account)

C. Select the most appropriate alternative from the given below and rewrite the statement: (5 MARKS)

1. There are _____ parties to a bill exchange. **(Three)**

a. Three b. Two c. Four d. Five

2. In case of dissolution assets and liabilities are transferred to _____ account.
(Realisation)

a. Bank b. Partner's Capital c. Realisation d. Partner's Current.

3. When goodwill is withdrawn by old partners _____ Account is credited. **(Cash or Bank)**

a. Cash or bank b. Capital c. Revaluation d. Profit and Loss adjustment.

4. Generally incomplete records are maintained by _____ **(Trader)**

a. Trader b. Company c. Society d. Government

5. Excess of income over expenditure is termed as _____ **(Surplus)**

a. Deficit, b. Profit c. Surplus d. Loss

D. State whether the following statements are True or False. (5 MARKS)

1. Single entry system is based on certain rules and regulations. (False)

2. Not for profit concern do not have profit motive. (True)

3. Bill of exchange is an instrument in writing, containing an unconditional order. (True)

4. A bill of exchange is signed by the person on whom it is drawn. (True)

5. Realisation loss is not transferred to insolvent partner's capital account. . (False)

E. Prepare bill of exchange from the following details. (5 marks)

Drawer - Shekhar Desai, Shastri Road, Mahad.

Drawee – Sharad Verma, Narayan Peth, Pune.

Amount - Rs. 3500/-

Period - 3 months.

Payee - Mukund Pande, Panvel

Date of Bill Drawn – 21st June, 2007

Date of Acceptance - 23rd June, 2007

BILL OF EXCHANGE

STAMP

₹ 3500/-

SHEKHAR DESAI
SHASHTRI ROAD
MAHAD
21ST JUNE, 2007

Three months after date pay to Mukund Pande, Panvel or his order the sum of Rupees Three Thousand Five hundred only for the value received.

SHARAD VERMA,
NARAYAN PETH,
PUNE.

sd/-
Shekhar Desai

ACCEPTED
Sd/-
Sharad Verma
[23rd June, 2007]

Q.2 Solution

Statement of Affairs as on 31.03.2013 and 31.03.2014

Liability	31.3.2013	31.3.2014	Assets	31.03.2013	31.03.2014
Capital(Bal. Fig.)	116900	114700	Stock	15000	14000
			Furniture	53500	44000
			Plant and Machinery	42500	55500
Loan Taken	21000	21000	Bank Balance	1900	2100
Creditors	18000	14900	Debors	43000	35000
	155900	150600		155900	150600

Statement of Profit or Loss for the year ended 31.03.2014

Particulars	Rs.	Rs.
Capital at the end of the year		114700
Add: Drawings:		
Amount withdrawn for Private Expenses		15000
		129700
Less: Additional Capital Introduced		
Amount Invested by Mr. Raj.		-4000
Adjusted Closing Capital		125700
Less: Capital at the beginning of the year		-116900
Trading Profit/Profit Before Adjustments		8800
Less: Depreciation:		
On Plant and Machinery $55500 \times 5\% = 2775$	2775	
On Furniture $44000 \times 5\% = 2200$	2200	
Bad debts	500	(5475)
Net Profit		3325

Q.3 Journal Entries in the books of New Partnership Firm

Date	Particulars	LF	Debit	Credit
1.	Rajkumar's Capital A/c ... Dr. Rajendra Kumar's Capital Ac/ To Profit and Loss A/c [Being debit balance of Profit & Loss Account is transferred to Partners Capital Account in Old Ratio]		20000 10000	30000
2.	General Reserve A/c Dr. To Rajkumar's Capital A/c To Rajendra Kumar's Capital A/c [Being Credit Balance in General Reserve is transferred to Old Partners Capital Account in old ratio]		60000	40000 20000
3.	Cash/ Bank A/c Dr. To Dhirajkumar's Capital A/c To Goodwill A/c [Being Capital and Goodwill brought in by the new partner]		105000	60000 45000
4.	Goodwill A/c Dr. To Rajkumar's Capital A/c To Rajendra Kumar's Capital A/c [Being Goodwill is retained in the business]		45000	30000 15000
5.	General Reserve A/c ... Dr. To R.D.D. A/c [Being R.D.D. is created by transferring fund from General Reserve A/c]		60000	60000
6.	Revaluation A/c ... Dr. To Furniture A/c [Being depreciation is charged on furniture]		1500	1500
7.	Stock A/cDr. Creditors A/c Rent receivable A/c Dr. To Revaluation A/c [Being Asset appreciated, Creditors written off and income receivable recorded.]		5000 5000 2000	12000
8.	Revaluation A/c ... Dr. To Rajkumar's Capital A/c To Rajendra Kumar's Capital A/c [Being Profit on revaluation account is transferred to old partners capital A/c]		10500	7000 3500

Balance Sheet as on 1st April, 2012

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital A/c			Buildings		100000
Rajkumar	257000		Furniture	30000	
Rajendrakumar	178500		(-) Depreciation @5%	1500	28500
Dhirajkumar	60000	495500	Stock	60000	
Creditors	80000		(+) Appreciation	5000	65000
(-) Claims written off	-5000	75000	Debtors	300000	
			(-) R.D.D.	-60000	240000
			Cash in Hand (30000 + 60000 + 45000)		135000
			Rent Due but not received		2000
		570500			570500

OR

Q.3

Revaluation Account

Particulars	Amount	Particulars	Amount
To Furniture A/c	300		
To O/s Expenses	1700		
		By Partner's Capital A/c	
		Sanil 1000	
		Nitish 667	
		Sapana 333	2000
	2000		2000

Bank A/c

Particulars	Amount	Particulars	Amount
To Bal b/d	23000	By Sapana Capital A/c	7500
		By Bal c/d	15500
	23000		23000

Partners' Capital Account

Particulars	Sanil	Nitish	Sapana	Particulars	Sanil	Nitish	Sapana
To Furniture A/c	4700		-	By Bal b/d	80000	50000	30000
To Profit and Loss Adjustment A/c	1000	667	333	By Goodwill A/c	15000	10000	5000
To Bank A/c			7500				
To Sapana Loan A/c			27167				
To Bal c/d	89300	59333					
	95000	60000	35000		95000	60000	35000

New Balance Sheet as on 1 April, 2013

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital A/c			Goodwill		30,000
Sanil	89300		Furniture	5000	
Nitish	59333	148633	(-) Revaluation	300	
Sapana's Loan		27167		4700	
Outstanding Expenses		1700	(-) Taken over by Sanil	4700	NIL
Bills Payable		30000	Machinery		40,000
			Sundry Assets		60,000
			Stock		30,000
			Debtors		32000
			Bank		15,500
		207500			207500

Q.4 Journal Entries in the books of Anjali

Date	Particulars	LF	Debit	Credit
1	Rupali's A/c.....Dr. To Sales A/c (Being the goods are sold)		25000	25000
2	Cash / bank a/cDr Bills Receivable A/c Dr. To Rupali's A/c (Being the part payment is made and bill is drawn)		10000 15000	25000
3	Cash/ Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (being the bill is discounted)		14700 300	15000
4	Rupali's A/c Dr To Cash/Bank A/c (being the bill is dishonoured)		15000	15000
5	Cash/ bank a/c..... Dr To Rupali's A/c (being the part payment is made)		5000	5000
6	Rupali's A/c Dr. To Interest a/c (being the interest is charged on balance amount)		200	200
7	Bills Receivable A/c Dr. To Rupali's A/c (being the new bill is drawn along with interest)		10200	10200
8	Cash/ bank a/c Dr. To Bills receivable a/c (being the new bill is honoured)		10200	10200

Q.5 Solution:

Realisation Account

Particulars	Rs.	Rs.	Particulars	Rs.	Rs
To Sundry Assets			By Sundry Liabilities		
Building	30000		Creditors		15000
Machinery	10000		By R.D.D. A/c		800
Furniture	12000		By Bank A/c		
Debtors	8800		Stock	19000	
Stock	20000		Debtors	7500	
Investments	4000		Machinery	11000	
Commission Receivable	1000	85800	Building	14000	51500
To Bank A/c		2000	BY Y's Capital A/c		
(Dissolution Expenses)			Investments	5000	
To Bank A/c			Furniture	12000	17000
Creditors		15000	By X's Loan A/c		500
			By Loss on Realisation A/C		
			X	9000	
			Y	9000	18000
		102800			102800

Partners Capital Account

Particulars	X	Y	Particulars	X	Y
To Realisation A/c		17000	By Balance b/d	40000	30000
To Realisation A/c (loss)	9000	9000	By Reserve Fund (1:1)	4000	4000
To Bank A/c	35000	8000			
	44000	34000		44000	34000

X's Loan Account

Particulars	Rs.	Rs.	Particulars	Rs.	Rs
To Bank A/c		1500	By Balance b/d		2000
To Realisation A/c		500			
		2000			2000

Bank Account

Particulars	Rs.	Particulars	Rs
To Balance b/d	10000	By Realisation A/c	2000
To Realisation A/c	51500	By Realisation A/c	15000
		By X's Loan A/c	1500
		By X's Capital A/c	35000
		By Y's Capital A/c	8000
	61500		61500

OR

Q.5 Journal of Joshi Patil

Sr. No.	Particulars	L F	Debit (₹)	Credit (₹)
1.	Bank A/c Dr.		50,000	
	To 10% Debentures Application A/c			50,000
2.	10% Debentures Application A/c Dr.		50,000	
	To 10% Debentures A/c			40,000
	To Bank A/c			10,000
3.	10% Debentures Allotment A/c Dr.		1,60,000	
	To 10% Debentures A/c			1,60,000
4.	Bank A/c Dr.		1,60,000	
	To 10% Debentures Allotment A/c			1,60,000

Q.6 Income & Expenditure A/c for the years ended 31-3-2004

Expenditure	Rs.	Rs.	Income	Rs.	Rs.
To Entertainment Expenses		2580	By Donation		2000
To Salaries	5500		By Receipt from Entertainment		3644
Add: Outstanding	1000	6500	By Interest on Investment	324	
To Lighting		1000	Add: O/S Interest	150	474
To General Expenses		1536	By Entrance Fees	4500	
To Taxes		500	Less: Capitalised	(2700)	1800
To Printing & Stationery		944	By Subscription		18000
To Depreciation Building	1200				
Furniture	460	1660			
To Surplus (Income over Expenditure)		11198			
		25918			25918

Balance Sheet as on 31-3-2004

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Fund	66360		Building	60000	
Add: Entrance Fees	2700		Less: Depreciation	(1200)	58800
	69060		Furniture	4600	
Add: Surplus	11198	80258	Less: Depreciation	(460)	4140
Prize Fund		3000	Investments	12000	
Outstanding Salary		1000	Add: Interest	150	12150
Subscription paid in advance		412	Fixed Deposit		4000
			Bank Balance		3000
			Cash		580
			Subscription receivable		2000
		84670			84670

Q.7 Solution:

In the books of M/s Kamesh and Mani
Trading Account for the year ended 31.12.2005

Particulars	Amt.	Amt.	Particulars	Amt.	Amt.
To Opening Stock		26000	By Sales		57000
To Purchases	34500				
(+) Unrecorded	5600	40100			
To Wages		5000			
To Carriage Inward		700			
To Gross Profit C/d		25200	By Closing Stock		40000
		97000			97000

Profit and Loss Account for the year ended 31.12.2005

Particulars	Amt.	Amt.	Particulars	Amt.	Amt.
To Office Expenses		2270	By Gross Profit b/d		25200
To Rent, Rates and Taxes		1750			
To Insurance	280				
(+) Outstanding for 9 months	840	1120			
To Salaries		1750			
To Bad debts	950				
(+) F.D.D.	-				
(+) N.R.D.D.	-				
(-) O.R.D.D.	-500	450			
To Depreciation					
Plant	975				
Land & Building	8900				
Motor Van	1500	11375			
To Net Profit C/d					
Kamesh	3243				
Mani	3242	6485			
		25200			25200

Partners Capital Account

Particulars	Kamesh	Mani	Particulars	Kamesh	Mani
To Drawings	3000	2000	By Balance b/d	60000	40000
To Balance c/d	60243	41242	By Net Profit b/d	3243	3242
	63243	43242		63243	43242

Balance Sheet as on 31.12.1997

Liability	Amt.	Amt.	Assets	Amt.	Amt.
Capital A/c			Land & Building	44500	
Kamesh	60243		(-) Depreciation	-8900	35600
Mani	41242	101485	Plant	9750	
Sundry Creditors	9500		(-) Depreciation	-975	8775
(+) Unrecorded	5600	15100	Motor Van	20000	
Outstanding Expenses		500	(-) Depreciation	-1500	18500
Outstanding Insurance		840	Debtors		14600
			Cash at Bank		450
			Closing Stock		40000
		117925			117925