

Set B solution

Q. 1. Attempt any Three of the following. [15]

A. Answer in one sentence only:

1. What is Balance Sheet?

ANS. A balance sheet is a statement of assets and liabilities which shows financial position of business at the end of the year.

2. What is Bad Debts?

Ans. The amount due from debtors which is irrecoverable is known as bad debts.

3. 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 sum of money only to the bearer of the instrument.

4. What is Single Entry System?

Ans. A system of recording transaction in which only one aspect of the business transaction are recorded. It is an unscientific method of recording transaction.

5. When is Realisation account is opened?

Ans. Realisation account is opened when there is a need to find profit or loss made on Realisation of assets and liabilities during the winding up of partnership firm.

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).

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:

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 When goodwill is withdrawn by old partners _____ Account is credited.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.

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. (False)

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

E. Prepare a bill of exchange from the following details.

Drawer : **Soundariya, Neelam Bhawan, Kalyan**

Drawee : **Sugandi, Dastur Nagar, Amaravati**

Payee : **Umesh , Deogad**

Period : **90 days**

Amount : **Rs. 7,555**

Date of bill : **15th March 2012**

Accepted on : **20th March 2012**

BILL OF EXCHANGE

<div style="border: 1px solid black; padding: 5px; text-align: center; width: fit-content;">STAMP</div>	<p>Soundariya, Neelam Bhawan, Kalyan, 15th March, 2012</p>
<div style="border: 1px solid black; padding: 5px; text-align: center; width: fit-content;">Rs. 7,555/-</div>	
<p>Ninety days after date pay to Umesh, Deogad or his order the sum of Rupees Seven Thousand Five Hundred and Fifty Five only for the value received.</p>	
<p>Sugandi. Dastur Nagar, Amaravati</p>	<p>Sd/- Soundariya</p>
<div style="border: 1px solid black; padding: 10px; transform: rotate(-15deg); width: fit-content; margin: 0 auto;"><p style="text-align: center;">ACCEPTED Sd/- Sugandi [20th March, 2012]</p></div>	

Q.2 Solution: In the books of Mrs. Archana

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.)	110000	167000	Cash at bank	5000	32000
			Sundry Debtors	25000	40000
			Stock in Trade	30000	50000
Bills payable	5000	5000	Furniture	20000	20000
Sundry creditors	15000	20000	Machinery	50000	50000
	130000	192000		130000	192000

Statement of Profit or Loss for the year ended 31.03.2014

Particulars	Rs.	Rs.
Capital at the end of the year		167000
Add: Drawings:		
Amount withdrawn for Personal Expenses		15000
		182000
Less: Additional Capital Introduced		
Further Capital Introduced		-25000
Adjusted Closing Capital		157000
Less: Capital at the beginning of the year		-110000
Trading Profit/ Profit before Adjustments		47000
Less: Depreciation:		
On Furniture 20000× 10%	2000	
On Machinery 50000× 10%	5000	-7000
Net Profit		40000

Q.3 Solution:

Journal Entries in the Books of New Partnership Firm.

Date	Particulars	L.F.	Debit	Credit
2012 April 1.	Snehal's Capital A/cDr.		3300	
	Meenal's Capital A/cDr.		3300	
	To Profit and Loss A/c			6600
	[Being debit balance of Profit and Loss A/c transferred to old partners' capital A/c]			
1.	Bank A/cDr.		50000	
	To Kamal's Capital A/c			50000
	[Being Capital bought in by Kamal]			
1.	Goodwill A/cDr.		40000	
	To Snehal's Capital A/c			20000

	To Meenal's Capital A/c			20000
	[Being Goodwill raised]			
1.	Profit & Loss Adjustment A/cDr.		6500	
	To Equipment A/c			5000
	To Interest on Bank Loan A/c			1500
	[Being the value of equipment written off and interest due on Bank Loan]			
1.	R.D.D. A/cDr.		5500	
	Premises A/c		9500	
	To Profit & Loss Adjustment A/c			15000
	[Being R.D.D. reduced and the value of premises increased]			
1.	Creditors A/cDr.		26000	
	To Bank A/c			24900
	To Profit & Loss Adjustment A/c			1100
	[Being creditors paid under discount]			
1.	Profit & Loss Adjustment A/cDr.		9600	
	To Snehal's Capital A/c			4800
	To Meenal's Capital A/c			4800
	[Being Profit on revaluation divided and transferred to old partners capital account]			

OR

Q.3 Paresh's Capital A/c

Particulars	Amount	Particulars	Amount
		By balance b/d	20,000
		By reserve fund	6000
		[3000 x 1/6]	
		By Goodwill	6000
To Executors Loan A/c	34,000	By Profit/ Loss Suspense A/c	1000
		[Share of Profit]	
		By Profit / Loss Adjustment A/c	1000
	34,000		34,000

Profit or Loss Adjustment Account

Particulars	Amount	Particulars	Amount
To Investment	4000	By Land & Building A/c	8,000
To Stock	2000	By R.D.D.	4,000
To Partners Capital			
Pravin	3000		
Prakash	2000		
Paresh	1000		
	6000		
	12,000		12000

Working:**1. For Goodwill**

$$= \text{Average profit of Last 4 years} \times 2$$

$$= \frac{[12000 + 24000 + 14000 + 22000]}{4} \times 2$$

$$= 18000 \times 2$$

$$= 36000$$

$$\text{Paresh Share in Goodwill} = \frac{1}{6} \times 36000$$

$$= 6000$$

2. Share of Profit till date of death

$$= \text{Average profit of last 2 years} \times \frac{1}{6} \times \frac{4}{12}$$

$$= \frac{[14000 + 22000]}{2} \times \frac{1}{6} \times \frac{4}{12}$$

$$= 18000 \times \frac{1}{6} \times \frac{4}{12}$$

$$= 1000$$

Q.4 Solution:**Journal Entries in the books of Minal.**

Date	Particulars	LF	Debit (Rs)	Credit (Rs)
1.	Bills Receivable A/c ...Dr.		5000	
	To Usha's A/c			5000
	[Being the Bill is drawn]			
2.	Bank A/c ...Dr.		4850	
	Discount A/c ... Dr.		150	
	To Bills Receivable A/c			5000
	[Being the Bill is discounted with the bank]			
3.	Usha's A/c ... Dr.		5000	
	To Bank's A/c			5000
	[Being the discounted bill is dishonoured]			
4.	Usha's A/c ... Dr.		25	
	To Interest A/c			25
	[Being Interest is charged on balance amount]			
5.	Cash A/c Dr.		2000	
	To Usha's A/c			2000
	[Being the part payment is made]			
6.	Bills Receivable A/c ...Dr.		3025	
	To Usha's A/c			3025
	[Being the New bill is drawn for balance amount along with interest and noting charges]			
7.	Cash / Bank A/c ... Dr.		3015	
	Rebate's A/c ... Dr.		10	
	To Bills Receivable A/c			3025
	[Being the second bill is retired]			

Q.5

In the Journal of Partnership Firm

Date	Particulars	LF	Debit	Credit
31.3.2011	Realisation A/cDr.		462500	
1	To Debtors A/c			112500
	To Stock A/c			225000
	To Furniture A/c			50000
	To Motor Car A/c			75000
	[Being assets transferred at their book values to Realisation A/c]			
2	Sundry Creditors A/cDr.		25000	
	Bank Overdraft A/cDr.		20000	
	To Realisation A/c			45000
	[Being external liabilities transferred at their book valued to realisation A/c]			
3	R.D.D. A/cDr.		12500	
	To Realisation A/c			12500
	[Being R.D.D. transferred to Realisation A/c]			
4	Reserve Fund A/cDr.		30000	
	To Ganesh's Capital A/c			18000
	To Chandan's Capital A/c			12000
	[Being Balance in reserve transferred to Capital A/c in their profit sharing ratio]			
5	Cash A/cDr.		315000	
	To Realisation A/c			315000
	[Being assets realised into cash]			
6	Ganesh's Capital A/cDr.		70000	
	Chandan's Capital A/cDr.		60000	
	To Realisation A/c			130000
	[Being Motor car and furniture taken over by the partners respectively]			
7	Realisation A/cDr.		42500	
	To Cash A/ c			42500
	[Being creditors and Bank overdraft paid in cash]			
8	Realisation A/cDr.		10000	
	To Cash A/c			10000
	[Being expenses of realisation paid in cash]			
9	Ganesh's Capital A/cDr.		7500	
	Chandan's Capital A/cDr.		5000	
	To Realisation A/c			12500
	[Being loss incurred on realisation adjusted to Partners' Capital A/c in the ratio of 3:2]			

10	Ganesh's Capital A/cDr.		170500	
	Chandan's Capital A/c		97000	
	To Cash A/c			267500
	[Being balance in capital A/c paid]			

OR

Q.5

Date	Particulars	LF	Debit	Credit
1.	Bank		2,40,000	
	To Equity Share Application			2,40,000
	[Being application money received]			
2.	Equity Share Application		2,40,000	
	To Equity Share capital			2,40,000
	[Being application money capitalised]			
3.	Equity Share Allotment		3,60,000	
	To Equity share Capital			3,60,000
	[Being allotment money due]			
4.	Bank		3,60,000	
	To Equity share allotment			3,60,000
	[Being allotment money received]			
5.	Equity share first call A/c		3,00,000	
	To Equity share capital A/c			3,00,000
	[Being first call money due]			
6.	Bank A/c		3,00,000	
	To Equity share first call A/c			3,00,000
	[Being first call money received]			
7.	Equity share 2 nd call & Final Call		3,00,000	
	To Equity share Capital A/c			3,00,000
	[Being final call money due]			
8.	Bank A/c		2,90,000	
	Calls in Arrears A/c		10,000	
	To Equity share 2 nd and Final Call			3,00,000
	[Being final call money received]			
9.	Equity share capital		40,000	
	To Calls in Arrears A/c			10,000
	To Share Forfeiture A/c			30,000
	[Being shares forfeited]			

Q.6 Solution: In the books of Dr. Narendra**Income and Expenditure A/c for the year ended 31.03.08**

Expenditure	Amount	Amount	Income	Amount	Amount
To Drugs	2000		By Visits	7000	
Less: stock	1000	1000	(+)outstanding	200	7200
To Salaries	1000		By Sundry		
(+) Outstanding	200	1200	Receipt		400
To Rent		500			
To Conveyance	700				
(-) Drawings	-420	280			
To Stationery		100			
To Lighting		125			
To Periodicals		100			
To Depreciation					
Furniture	150				
Equipment	250	400			
To Surplus [Income over Expenditure]		3895			
		7600			7600

Balance Sheet as on 31.03.08

Liability	Amount	Amount	Asset	Amount	Amount
Capital Fund	10000		Furniture	1500	
(-) Drawings	-4375		(-) Depreciation	-150	1350
	5625		Equipment	2500	
(-) Drawings Conveyance	-420		(-) Depreciation	-250	2250
	5205		Stock of Drugs		1000
(+) Surplus	3895	9100	Cash Balance		4500
Outstanding Salaries		200	Outstanding Visit		200
		9300			9300

Q.7 Solution:

**In the books of M/s Sonia and Sufi
Trading Account for the year ended 31.03.2014**

Particulars	Amt.	Amt.	Particulars	Amt.	Amt.
To Opening Stock		200000	By Sales	400000	
To Purchases	275000		(-) Return	(5000)	395000
(-) Return	(4500)	270500	By Goods distributed as free samples		1000
To Wages		19000	By Goods destroyed by fire		1200
To Power and Fuel		3500	By Closing Stock		130000
To Gross Profit C/d		34200			
		527200			527200

Profit and Loss Account for the year ended 31.03.2014

Particulars	Amt.	Amt.	Particulars	Amt.	Amt.
To Depreciation			By Gross Profit b/d		34200
Plant and Machinery	10000				
Patent	3750	13750			
To Bad debts	-				
(+) FBD	1000				
(+) NRDD	6200				
(-) ORDD	-	7200			
To Salaries	17500				
(+) Out Standing	2500	20000			
To Rent and Taxes		7500			
To Insurance	3000				
(-) Prepaid	(750)	2250			
To Printing and Stationery		2000			
To Advertisements		1000			
To Loss on Fire		1200			
			By Net Loss c/d		
			Sonia	10350	
			Sufi	10350	20700
		54900			54900

Partners Capital Account

Particulars	Sonia.	Sufi	Particulars	Sonia	Sufi
To Drawings	14450	10000	By balance b/d	180000	150000
To Net Loss b/d	10350	10350			
To Balance c/d	155200	129650			
	180000	150000		180000	150000

Balance Sheet as on 31.03.2014

Liability	Amt.	Amt.	Assets	Amt.	Amt.
Capital A/c			Bills Receivable		25000
Sonia	155200		Plant and Machinery	100000	
Sufi	129650	284850	(-) Depreciation @10%	(10000)	90000
Bills Payable		60000	Loose tools		25000
Sundry Creditors		140000	Patents	25000	
Outstanding Salaries		2500	(-) Depreciation @15%	3750	21250
			Sundry Debtors	125000	
			(-) FBD	(1000)	
				124000	
			(-) NRDD @ 5%	(6200)	117800
			Cash at bank		77550
			Prepaid Insurance		750
			Closing Stock		130000
		487350			487350