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केन्द्रीय विद्यालय संगठन

QUESTION BANK OF MULTIPLE CHOICE QUESTIONS 2021-2022

CLASS: XII SUBJECT: ACCOUNTANCY

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CASE STUDEY BASED QUESTIONS

CHAPTER 1

PARTNERSHIP ACCOUNTS FUNDAMENTALS OF PARTNERSHIP

CASE 1

Read the hypothetical text and answer the following questions.

Arun, Varun and Tarun were partners in a firm sharing profits equally. On 1st April, 2020, their capitals stood at ₹ 2, 00,000, ₹ 1, 50,000 and ₹ 1, 00,000 respectively. As per the provisions of Partnership Deed:

1) Arun was entitled to a salary of ₹ 2,500 p.m.
2) Partners were entitled to interest on capital @ 10% p.a.

The net profit for the year ended 31st March, 2021, ₹ 1,50,000 was distributed among the partners without providing for the above items.

Q1.What is the amount of interest on capital of Varun?

a) ₹ 20,000
b) ₹ 15,000
c) ₹ 10,000
d) ₹ 30,000

Q2. What is the amount of distributable profit for the partners after providing salary and interest on capitals to the partners?

a) ₹ 50,000 each
b) ₹ 25,000 each
c) ₹ 10,000 each
d) ₹ 15,000 each

Q3. Arun's Capital A/c will be credited with Rs…………….for giving the adjustment to above omissions.

a) ₹ 20,000
b) ₹ 15,000
c) ₹ 25,000
d) ₹ 10,000

Q4. Capital Account/Accounts of …………………… will be debited to give the effect of above adjustments.

a) Varun
b) Tarun and Arun
c) Arun and Varun
d) Varun and Tarun

CASE 2	Read the hypothetical text and answer the following questions . Sonu and Monu are partners sharing profits and losses in the ratio of 2:1. Their capital Accounts as at 1st April, 2015 were ₹ 10,00,000 and ₹ 8,00,000 respectively. The partners are allowed interest on capital @ 5% p.a. Drawings of the partners during the year ended 31st March, 2016 were ₹ 1,44,000 and ₹ 1,00,000 respectively. Monu is entitled to get a salary of ₹ 10,000 p.m. Profit for the year before allowing interest on capital and salary was ₹ 16,00,000. 10% of the net profit is to be transferred to General Reserve.
	1) Find the amount which is to be transferred to General Reserve Account? a) ₹ 80,000 b) ₹ 1,20,000 c) ₹ 1,60,000 d) ₹ 2,00,000 Q2. What is the distributable amount of profit which is to be credited to Partners' Capital Accounts? a) ₹ 16,00,000 b) ₹ 14,40,000 c) ₹ 12,30,000 d) ₹ 10,00,000 Q3. Find the closing capital of Sonu? a) ₹ 12,70,000 b) ₹ 17,26,000 c) ₹ 16,00,000 d) ₹ 10,00,000 Q4. What is the share of Monu's profit to be credited to his Capital Account? a) ₹ 14,40,000 b) ₹ 12,30,000 c) ₹ 4,10,000 d) ₹ 8,20,000
CASE3	Read the hypothetical text and answer the following questions. Mahesh, Dinesh and Suresh are equal partners with capitals of ₹ 5,00,000, ₹ 3,00,000 and ₹ 2,00,000 respectively. Mahesh withdrew ₹ 60,000 in the beginning of each quarter for the year ended 31st March, 2020. Dinesh withdrew ₹ 60,000 at the end of each quarter for the year ended 31st March,2020. Suresh withdrew ₹ 90,000 in the middle of each quarter for the year ended 31st March,2020. Interest on drawings is charged @ 10% p.a.
	Q1. What is the total amount of drawings of all the partners? a) ₹ 9,00,000

	b) ₹ 8,40,000 c) ₹ 8,60,000 d) ₹ 9,20,000 Q2. What is the average period of Dinesh's drawings? a) 4.5 months b) 6 months c) 7.5 months d) 12 months Q3. Mahesh's interest on drawings is………………………… a) ₹ 12,000 b) ₹ 13,500 c) ₹ 10,000 d) ₹ 15,000 Q4. What is the total amount of interest on drawings of all the partners? a) ₹ 42,000 b) ₹ 40,000 c) ₹ 45,000 d) ₹ 48,000
CASE 4	Read the hypothetical text and answer the following questions . Anil and Sunil started a firm on 1st April, 2020 sharing profits equally. Anil withdrew regularly ₹ 2,000 in the beginning of every month for the year ended 31St March, 2021 and Sunil withdrew the amount as follows. On 1st July,2020: ₹ 8,000 On 1st October, 2020: ₹ 10,000 On 1St February, 2021: ₹ 6,000 As per Partnership Deed, interest on drawings is to be charged @ 10% p.a.
	Q1. What is the total amount of drawings of Anil and Sunil? a) ₹ 46,000 b) ₹ 48,000 c) ₹ 50,000 d) ₹ 52,000 Q2. Anil's interest on drawings is …………………. a) ₹ 1,100 b) ₹ 1,200 c) ₹ 1,300

	d) ₹ 1,400 Q3. Sunil's interest on drawings is ………………… a) ₹ 1,000 b) ₹ 1,200 c) ₹ 1,400 d) ₹ 1,600 Q4. What is the average time period of Anil's drawings? a) 5.5 months b) 6 months c) 6.5 months d) 12 months
CASE 5	Read the hypothetical text and answer the following questions. Amar, Saleem and John are partners without a Partnership Deed. On 1st April, 2020, their capitals were ₹ 3,00,000, ₹ 2,00,000 and ₹ 1,00,000 respectively. During the year, they withdrew ₹ 30,000, ₹ 20,000 and ₹ 10,000 respectively. On 1st October, 2020, Saleem gave a loan of ₹ 50,000 to the firm and demands interest on loan @ 10% p.a. for the year ended 31st March, 2021. John wants to admit a new partner, Vinod but Amar and Saleem do not agree for it. Amar demands a salary of ₹ 1,000 p.m. for the year for taking part in business of the firm. For the year ended 31st March, 2021, the firm earned a profit of ₹ 60,000. Q1. Interest on Saleem's loan is …………………… a) ₹ 5,000 b) ₹ 2,500 c) ₹ 3,000 d) ₹ 1,500 Q2. Find the amount to be given to Amar as salary. a) ₹ 10,000 b) ₹ 12,000 c) ₹ 9,000 d) No salary will be given Q3. What is the distributable profit for each partner? a) ₹ 20,000 each b) ₹ 19,500 each c) ₹ 30,000, ₹ 20,000 and ₹ 10,000 b) d) ₹ 30,000, ₹ 15,000 and ₹ 15,000 Q4. Vinod can be admitted as a new partner in the firm when…………………… a) John agrees to admit him as a new partner. b) John and Saleem agree to admit him as a new partner. c) All the existing partners agree to admit him as a new partner. d) There is no need of other partners' consent.
CASE 6	Read the hypothetical text and answer the following questions. Umesh and Mahesh are partners in a firm. On 1st April, 2020, their capitals were ₹ 4,00,000

	and ₹ 6,00,000. The profit for 2020-21 was ₹ 5,24,000. Partnership Deed provided that interest on drawings/capital to be calculated @ 10%, Mahesh had withdrawn ₹ 1,00,000 on 31st December,2020. In addition to it, rent (in case of any partner providing his premises for business) for premises decided to be ₹ 8,000 per month. Due to lockdown during pandemic, the partners decided to shut down the factory and shifted to Umesh's farmhouse on 1st August, 2020.
	Q1. What amount is to be transferred to Profit and Loss Appropriation Account? a) ₹ 5,24,000 b) ₹ 5,00,000 c) ₹ 4,88,000 d) ₹ 4,60,000 Q2. What is the interest on drawings of Mahesh? a) ₹ 10,000 b) ₹ 7,500 c) ₹ 2,500 d) ₹ 3,000 Q3. What is total interest on capitals of both partners? a) ₹ 1,00,000 b) ₹ 50,000 c) ₹ 2,00,000 d) ₹ 1,25,000 Q4. What is net distributable profit? a) ₹ 5,00,000 b) ₹ 3,62,500 c) ₹ 5,02,500 d) ₹ 4,02,500
CASE 7	Read the hypothetical text and answer the following questions. Mohan and Sohan are equal partner Their capitals as on 1St April,2020 are 1,00,000 and 2,00,000 respectively. Profits for the year 2020-21 were ₹ 90,000. As per the agreement, interest on capitals was ₹ 10,000 and ₹ 20,000 respectively and interest on drawings was ₹ 6,000 and ₹ 10,000 respectively. Mohan's salary was ₹ 2,000 p.m. and Sohan's salary was ₹ 5,000 p.a. Accountant, however, committed the mistake and credited the profit in the capital ratio, Without interest on capitals, drawings and salary.
	Q1. With what amount was Sohan's account credited with initially? a) ₹ 30,000 b) ₹ 45,000 c) ₹ 60,000 d) 90,000 Q2. What was the total salary required to be credited? a) ₹ 70,000 b) ₹ 84,000 c) ₹ 29,000 d) 48,000 Q3. What was the rate of interest on capital? a) 5% b) 10% c) 15% d) 20% Q4. What was the amount of past adjustment entry? a) ₹ 20,500 b) ₹ 21,500 c) ₹23,500 d) ₹ 22,500
CASE 8	Read the hypothetical text and answer the following questions. : X and Y are partners in a firm sharing profits equally. On 1st April, 2020, the capitals of the partners were ₹ 2,00,000 and ₹ 1,50,000 respectively. The Profit and Loss Appropriation Account of the firm showed a net profit of ₹ 3,75,000 for the year ended 31st March, 2021. The Partnership Deed provided the following: i) Transfer 10% of distributable profit to Reserve Fund. ii) Interest on capital @ 6% p.a.

	iii) Interest on drawings @ 6% p.a. Drawings for X and Y were ₹ 40,000 and ₹ 30,000 respectively.
	Q1. What is the average period for which interest on drawings will be calculated? a) 3 months b) 6 months c) 9 months d) 12 months Q2. Total interest on capital provided is ………………………. a) ₹ 9,000 b) ₹ 12,000 c) ₹ 21,000 d) ₹ 18,000 Q3. The lesser interest on drawings charged is ………………… a) ₹ 900 b) ₹ 1,200 c) ₹ 2,100 d) ₹ 1,500 Q4. The amount is to be transferred to Reserve Fund is ……………… a) ₹ 37,500 b) ₹ 35,610 c) ₹ 37,710 d) ₹ 36,400
CASE9	Read the hypothetical text and answer the following questions. : M, N and O entered into partnership firm on 1st July, 2018 and decided to share profits and losses in the ratio of 3:2:1. M guaranteed that O's share of profit after charging interest on capitals @ 6% p.a. would not be less than ₹ 36,000 p.a. The capital contributed by M: ₹ 2,00,000, N: ₹ 1,00,000 and O: ₹ 1,00,000 respectively. Profit for the year ended 31st March, 2019 was ₹ 1,38,000.
	Q1. What is the total amount of interest on capital? a) ₹ 9,000 b) ₹ 12,000 c) ₹ 18,000 d) ₹ 24,000 Q2. What is the distributable amount of profit? a) ₹ 1,00,000 b) ₹ 1,20,000 c) ₹ 1,10,000 d) ₹ 90,000 Q3. What is the share of profit of O? a) ₹ 27,000 b) ₹ 36,000 c) ₹ 18,000 d) ₹ 9,000 Q4. What is deficiency amount to be borne by M? a) ₹ 16,000 b) ₹ 7,000 c) 12,000 d) ₹ 15,000
CASE 10	Read the hypothetical text and answer the following questions. Luv and Kush formed a partnership to sell low sodium, plant based vegan snacks. Since both of them had a family, they decided to withdrew a salary of ₹ 12,000 per quarter. Luv also withdrew ₹ 1,00,000 on 31st December,2020 to get his wife treated for Covid 19. The partnership deed provided for 10% interest on drawings. Kush introduced ₹ 50,000 as additional capital on 31st January,2021. The net distributable profit was ₹ 2,00,000 which was divided by the partners after providing 25% to General Reserve.
	Q1. Total amount of salary credited to partners' account is………………………. a) ₹ 12,000 b) ₹ 48,000 c) ₹ 96,000 d) ₹ 24,000 Q2. Interest on Luv's drawings will be …………………………… a) ₹ 2,500 b) ₹ 5,000 c) ₹ 7,500 d) ₹ 10,000 Q3. Interest on Kush's capital will be………………………… a) ₹ 5,000 b) ₹ 10,000 c) ₹ 20,000 d) None of these Q4. What was the amount to be transferred to General Reserve?

	a) ₹ 25,000 b) ₹ 50,000 c) ₹ 75,000 d) ₹ 1,00,000
CASE11	Read the hypothetical text and answer the following questions. S and P are two partners in a firm sharing profit and losses in the ratio of 3:2. At the time of distributing the net profit between the partners, interest on capital was credited @ 18% instead of 8% wrongly. Partners' capitals are given on 1st April, 2018 as ₹ 5,00,000 and ₹ 3,00,000 respectively. Profit on 31st March, 2019 is ₹ 2,00,000.
	Q1. The excess interest on capital provided to S which is to be debited now is …………….. a) ₹ 40,000 b) ₹ 50,000 c) ₹ 90,000 d) ₹ 30,000 Q2. The excess interest on capital provided to P which is to be debited now is …………….. a) ₹ 24,000 b) ₹ 30,000 c) ₹ 54,000 d) ₹ 50,000 Q3. The aggregate excess profit generated to distribute further is …………………….. a) ₹ 1,20,000 b) ₹ 1,44,000 c) ₹ 80,000 d) ₹ 84,000 Q4. Whose account will be benefitted by this past adjustment? a) P b) S c) Both of these d)None of the above
CASE 12	Read the hypothetical text and answer the following questions. P, Q and R are partners in a firm. Their capitals are ₹ 30,000, ₹ 20,000 and ₹ 10,000 respectively. As per partnership deed, i) R is to be allowed remuneration of ₹ 3,000 p.a. ii) Interest on capital @ 5% p.a. iii) Profits should be distributed in the ratio of 2:2:1. Ignoring the above terms, net profit of ₹ 18,000 was distributed among the partners equally.
	Q1. How much interest on capital is to be credited to the partner P? a) ₹ 1,500 b) ₹ 1,000 c) ₹ 900 d) ₹ 800 Q2. How much profit is to be credited to the Partner Q after all adjustments? a) ₹ 2,400 b) ₹ 4,800 c) ₹ 1,000 d) ₹ 1,200

	Q3. What is the total profit to be credited to P, Q and R after all adjustments? a) ₹ 12,000 b) ₹ 8,000 c) ₹ 9,000 d) ₹ 10,000 Q4. What is the amount of the past adjustment entry? a) ₹ 350 b) ₹ 450 c) ₹ 250 d) ₹ 550
CASE 13	Read the hypothetical text and answer the following questions . A,B and C are partners in a firm sharing profits and losses in the ratio of 2:2:1. Their capitals(Fixed) are ₹ 1,00,000, ₹ 80,000 and ₹ 70,000 respectively. For the year 2018-19, interest on capital was to be credited to them @ 9% p.a. instead of 12%
	Q1. What was the net amount should be credited to partner B? a) ₹ 1,500 b) ₹ 2,400 c) ₹ 1,800 d) ₹1,200 Q2. What was the net amount should be credited to partner C? a) ₹ 1,800 b) ₹ 2,000 d) ₹ 2,100 d) ₹ 1,700 Q3. What was the amount that debited to partner B? a) ₹ 1,500 b) ₹ 2,000 c) ₹ 3,000 d) ₹ 4,000 Q4. What was the amount of past adjustment entry? a) ₹ 400 b) ₹ 300 c) ₹ 600 d) ₹ 500
CASE 14	Read the hypothetical text and answer the following questions .: P and Q were partners in a firm sharing profits and losses equally. Their fixed capitals were ₹ 1,00,000 and ₹ 50,000 respectively. The partnership deed provided that interest on capital is to be given @ 10% p.a. For the year ended 31.03.2016, the profits of the year were distributed without providing interest on capital.
	Q1. How much amount is already debited to P's current account? a) 2,500 b) ₹ 3,000 c) ₹ 7,500 d) ₹ 1,500 Q2. How much amount should be credited to P's current account for Interest on capital? a) ₹ 8,000 b) ₹ 10,000 c) ₹ 9,000 d) ₹ 7,000 Q3. How much amount should be credited to Q's current account for interest on capital? a) ₹ 2,000 b) ₹ 3,000 c) ₹ 5,000 d) ₹4,000 Q4. What was the amount of past adjustment entry? a) ₹ 2,500 b) ₹ 1,500 c) ₹ 1,200 d) ₹ 1,600
CASE 15	Read the hypothetical text and answer the following questions. Aman and Boman are partners sharing profits equally. Business is being carried from the property owned by Aman on a yearly rent of ₹ 24,000. Aman is to get salary of ₹ 1,20,000 p.a. and Boman is to get commission @ 5% on net sales, which during the was ₹ 30,00,000.

	Profits for the year ended 31st March, 2019 before providing rent was ₹ 5,00,000.
	Q1. What is the amount of commission payable to Boman? a) ₹ 1,50,000 b) ₹ 2,00,000 c) ₹ 1,20,000 d) ₹ 1,00,000 Q2. What is the profit after charging rent? a) ₹ 4,00,000 b) ₹ 3,00,000 c) ₹ 4,76,000 d) ₹5,00,000 Q3. What is the total distributable profit? a) ₹ 1,06,000 b) ₹ 2,06,000 c) ₹ 1,00,000 d) ₹ 2,00,000 Q4. What is the amount of profit to be credited to Aman's capital account? a) ₹ 1,00,000 b) ₹ 1,03,000 c) ₹ 1,02,000 d) ₹ 1,05,000
CASE 16	Read the hypothetical text and answer the following questions .: Amit, Bimal and Chaman are sharing profits and losses equally. Amit and Chaman have given loan to the firm on 1st October, 2018 of ₹ 1,00,000 and ₹ 1,50,000 respectively. It is agreed that interest @ 9% p.a. will be paid on loan. Books of account of the firm are closed on 31st March, every year. Interest on loan is yet to be paid as on 31st March, 2019.
	Q1. How much interest the partner Amit will get on his loan amount? a) ₹ 4,500 b) ₹3,000 c) ₹ 2,500 d) ₹ 1,500 Q2. How much interest the partner Chaman will get on his loan amount? a) ₹ 4,500 b) ₹ 6,750 c) ₹ 6,000 d) ₹ 5,500 Q3. What is the credit balance of Amit's loan account after adjustments? a) ₹ 1,00,000 b) ₹ 1,02,500 c) ₹ 1,04,000 d) ₹ 1,04,500 Q4. What is the total amount of interest on loan of both the partners? a) ₹ 10,250 b) ₹ 11,250 c) ₹ 12,250 d) ₹13,750
CASE 17	Read the hypothetical text and answer the following questions. X and Y started business on 1St April, 2020 with capitals of ₹ 5,00,000 each. As per the partnership Deed, both X and Y are to get monthly salary of ₹ 10,000 each and interest on capital is ₹ 50,000 each. Interest on drawings are as follows X : ₹ 3,000 and Y: ₹ 5,000. During the year, the firm incurred a loss of ₹ 2,00,000. Q1. What is the amount to be transferred to Profit and Loss Appropriation Account? a) ₹ 5,00,000 b) ₹ 2,00,000 c) ₹ 3,00,000 d) ₹ 1,50,000 Q2. What is the total amount of salary to be credited to Partners' capital account? a) ₹ 1,20,000 b) ₹ 2,40,000 c) ₹ 1,80,000 d) No salary will be given Q3. What amount of loss is to be transferred to the capital account of the both partners? a) ₹ 1,92,000 b) ₹ 2,00,000 c) ₹ 1,96,000 d) ₹ 1,80,000 Q4. What is the share of loss of X? a) ₹ 1,00,000 b) ₹ 96,000 c) ₹ 98,000 d) ₹ 90,000
CASE 18	Read the hypothetical text and answer the following questions.

	Ajay and Vijay are partners sharing profits in the ratio of 3:2. Ajay is a non-working partner and contributes ₹ 20,00,000 as his capital. Vijay is a working partner of the firm. The Partnership Deed provides for interest on capital @ 8% p.a. and salary to every working partner @ ₹ 8,000 p.m. Profit before providing for interest on capital and partner's salary for the year ended 31st March, 2021, was ₹ 80,000.
	Q1. How much interest on capital is payable to Ajay? a) ₹ 50,000 b) ₹ 1,60,000 c) ₹80,000 d) ₹ 1,00,000 Q2. What is the amount of salary payable to Vijay? a) ₹ 96,000 b) ₹ 30,000 c) ₹ 60,000 d) ₹ 80,000 Q3. What is the amount of net profit to be transferred to Profit and Loss Appropriation account? a) ₹ 50,000 b) ₹ 30,000 c) ₹ 80,000 d) ₹ 60,000 Q4. What is the amount of profit to credited to Ajay's capital account? a) ₹ 40,000 b) ₹ 60,000 c) ₹ 80,000 d) None of these
CASE 19	Read the hypothetical text and answer the following questions. X and Y are partners sharing profits and losses in the ratio of 7:3. Their capital accounts as at 1st April, 2018 stood at X: ₹ 5,00,000 and Y: ₹ 4,00,000. Partners are allowed interest on capital @ 5% p.a. Drawings of the partners during the year ended 31st March, 2019 were ₹ 72,000 and ₹ 50,000 respectively. Profit for the year before allowing interest on capital and salary to Y @ ₹ 5,000 p.m. was ₹ 8,00,000. 10% of the net profit is to be transferred to General Reserve.
	Q1. What is the amount to be transferred to General reserve? a) ₹ 1,60,000 b) ₹ 80,000 c) ₹ 40,000 d) ₹ 2,00,000 Q2. How much amount of interest on capital payable to both the partners? a) ₹ 45,000 b) ₹ 60,000 c) ₹ 75,000 d) ₹1,00,000 Q3. What is the amount of salary payable to Y? a) ₹ 90,000 b) ₹ 1,20,000 c) ₹ 60,000 d) 75,000 Q4. What is the share of X in distributable profit? a) ₹ 4,20,500 b) ₹ 4,30,500 c) ₹ 4,25,500 d) ₹ 4,10,500
CASE 20	Read the hypothetical text and answer the following questions. A, B and C started a firm on 1st October, 2020 sharing profits equally. A drew regularly ₹ 4,000 in the beginning of every month for the six months ended 31st March, 2021. B drew regularly ₹ 4,000 at the end of every month for the six months ended 31st March, 2021. C drew regularly ₹ 4,000 in the middle of every month for the six months ended 31st March, 2021. IOD is charged at 5% p.a
	Q1. What the total amount of drawings of the partners? a) ₹ 1,44,000 b) ₹ 72,000 c) ₹ 24,000 d) 96,000 Q2. What is the interest on drawings of B?

a) ₹ 350 b) ₹ 300 c) ₹ 200 d) ₹ 250

Q3. What is the interest on drawings of A?

a) ₹ 300 b) ₹ 250 c) ₹ 350 d) ₹ 400

Q4. What is the total amount of interest on drawings of the partners?

a) ₹ 1,200 b) ₹1,500 c) ₹ 600 d) ₹ 900.

ANSWERS

CASE1	1	a	2	b	3	c	4	d
CASE2	1	c	2	c	3	b	4	c
CASE3	1	b	2	a	3	d	4	a
CASE4	1	b	2	c	3	b	4	c
CASE5	1	d	2	d	3	b	4	c
CASE6	1	d	2	c	3	a	4	b
CASE7	1	c	2	c	3	b	4	b
CASE8	1	b	2	c	3	a	4	b
CASE9	1	c	2	b	3	a	4	b
CASE10	1	c	2	a	3	d	4	b
CASE11	1	b	2	b	3	c	4	a
CASE12	1	a	2	b	3	a	4	b
CASE13	1	b	2	c	3	c	4	c
CASE14	1	c	2	b	3	c	4	a
CASE15	1	a	2	c	3	b	4	b
CASE16	1	a	2	b	3	d	4	b
CASE17	1	b	2	d	3	a	4	b
CASE18	1	a	2	b	3	c	4	d
CASE19	1	b	2	a	3	c	4	b
CASE20	1	b	2	d	3	c	4	d

CASE STUDY BASED QUESTIONS

CHAPTER 2

CHANGE IN PROFIT SHARING RATIO

CASE 1

A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2019 stood as follows:

Liabilities		Amount	Assets	Amount
Capital A/cs:			Land and Building	3,50,000
A	2,50,000		Machinery	2,40,000
B	2,50,000		Computers	70,000
C	2,00,000	7,00,000	Investments (Market value ₹ 90,000)	1,00,000
General Reserve		60,000	Sundry Debtors	50,000
Investments Fluctuation Reserve		30,000	Cash in Hand	10,000
Sundry Creditors		90,000	Cash at Bank	55,000
			Advertisement Suspense	5,000
		8,80,000		8,80,000

They decided to share profits equally *w.e.f.* 1st April, 2019. They also agreed that:
(i) Value of Land and Building be decreased by 5%.
(ii) Value of Machinery be increased by 5%.
(iii) A Provision for Doubtful Debts be created @ 5% on Sundry Debto₹
(iv) A Motor Cycle valued at ₹ 20,000 was unrecorded and is now to be recorded in the books.
(v) Out of Sundry Creditors, ₹ 10,000 is not payable.
(vi) Goodwill is to be valued at 2 years' purchase of last 3 years profits. Profits being for 2018-19 – ₹ 50,000 (Loss); 2017-18 – ₹ 2,50,000 and 2016-17 – ₹ 2,50,000.
(vii) *C* was to carry out the work for reconstituting the firm at a remuneration (including expenses) of ₹ 5,000. Expenses came to ₹ 3,000.

Answer the following questions:

	i. Remuneration expenses will be: (a) ₹ 3000 Debited to Revaluation A/c (b) ₹ 5000 Debited to Revaluation A/c (c) ₹3000 Shown on Liability side of the Balance Sheet (d) ₹3000 Shown on Asset side of the Balance Sheet
	ii. What journal entry will be passed for Investment Fluctuation Reserve? (a) Dr. Investment Fluctuation Reserve A/c ₹ 30,000, Cr. Investment ₹ 10,000; Cr. A's Capital A/c ₹ 10,000; Cr. B's Capital A/c ₹ 6,000; Cr. C's Capital A/c ₹ 4,000 (b) Dr. Investment Fluctuation Reserve A/c ₹ 30,000, Cr. A's Capital A/c ₹ 10,000; Cr. B's Capital A/c ₹ 10,000; Cr. C's Capital A/c ₹ 10,000 (c) Dr. A's Capital A/c ₹ 10,000; Dr. B's Capital A/c ₹ 10,000; Dr. Investment ₹ 10,000; Cr. Workmen's Compensation Reserve A/c ₹ 30,000 (d) Dr. Revaluation ₹ 10,000; Cr. Investment ₹ 10,000
	iii. What journal entry is passed for goodwill? (a) B's Capital A/c Dr.10,000; C 's Capital A/c Dr.40,000; A's Capital A/c Cr. 50,000 (b) Dr. Goodwill A/c ₹ 3,00,000; Cr. A's Capital A/c ₹ 1,50,000; Cr. B's Capital A/c ₹ 90,000; Cr. C's Capital A/c ₹ 60,000 (c) A's Capital A/c Cr.50,000; B's Capital A/c Cr.10,000; C 's Capital A/c Dr.60,000; (d) Dr. Goodwill A/c ₹ 50,000; Cr. Revaluation A/c ₹ 50,000
	iv. Profit (gain) on Revaluation of Assets and Reassessment of Liabilities is: (a) ₹ 17,000 (b) ₹ 22,000 (c) ₹ 57,000 (d) ₹ 2,000
CASE 2	Balance Sheet of *X* and *Y*, who share profits and losses as 5 : 3, as at 1st April, 2019 is:

Liabilities	Amount	Assets	Amount
X's Capital	52,000	Goodwill	8,000
Y's Capital	54,000	Machinery	38,000
General Reserve	4,800	Furniture	15,000
Sundry Creditors	5,000	Sundry Debtors	33,000
Employees' Provident Fund	1,000	Stock	7,000
Workmen Compensation Reserve	10,000	Bank	25,000
		Advertisement Suspense A/c	800

	1,26,800		1,26,800

On the above date, they decided to change their profit-sharing ratio to 3 : 5 and agreed upon the following:

(a) Goodwill be valued on the basis of two years' purchase of the average profit of the last three yea₹ Profits for the years ended 31st March, are: 2016-17 – ₹ 7,500; 2017-18 – ₹ 4,000; 2018-19 – ₹ 6,500.

(b) Machinery and Stock be revalued at ₹ 45,000 and ₹ 8,000 respectively.

(c) Claim on account of workmen compensation is ₹ 6,000.

Answer the following questions:

i. Advertisement suspense a/c of ₹ 800 will be:

(a) Debited to Revaluation A/c
(b) Credited to Revaluation A/c
(c) Debited to Partners capital A/c
(d) Credited to Partners capital A/c

ii. Employees' Provident Fund of ₹ 1,000 to be:

(a) Debited to Revaluation A/c
(b) Credited to Revaluation A/c
(c) Shown on Liability side of the Balance Sheet
(d) Credited to Partners capital A/c

iii. What journal entry will be passed for Workmen's Compensation Fund?

(a) Dr. Workmen's Compensation Fund ₹ 10,000, Cr. Claim for Workmen's Compensation ₹ 6,000; Cr. X's Capital A/c ₹ 2,500; Cr. Y's Capital A/c ₹ 1,500
(b) Dr. Workmen's Compensation Fund ₹ 10,000; Cr. X's Capital A/c ₹ 6,250; Cr. Y's Capital A/c ₹ 3,750
(c) Dr. X's Capital A/c ₹ 1,500; Dr. Y's Capital A/c ₹ 2,500; Dr. Claim for Workmen's Compensation ₹ 6,000; Cr. Workmen's Compensation Reserve A/c ₹ 10,000
(d) Dr. Revaluation ₹ 4,000; Cr. Claim for Workmen's Compensation ₹ 4,000

iv. What journal entry is passed for goodwill?

(a) Y's Capital A/c Dr.3,000; X's Capital A/c Cr.3,000
(b) Dr. Goodwill A/c ₹ 12,000; Cr. X's Capital A/c ₹ 6,000; Cr. Y's Capital A/c ₹ 6,000
(c) Y's Capital A/c Cr.3,000; X's Capital A/c Cr.3,000
(d) Dr. Goodwill A/c ₹ 12,000; Cr. Revaluation A/c ₹ 12,000

CASE 3

X, *Y* and *Z* are partners sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2018, they decided to share profits and losses equally. The profit and loss account showed a

	debit balance of ₹10,000. The Partnership Deed provides that in the event of any change in the profit-sharing ratio, the goodwill should be valued at two years' purchase of the average profit of the preceding five yea₹ The profits and losses of the preceding years ended 31st March, are:

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Profits (₹)	70,000	85,000	45,000	35,000	10,000 (Loss)

Answer the following questions:

i Change in the existing agreement of profit sharing ratio is considered as

(a) Reconstitution of a partnership firm
(b) Revaluation of a partnership firm
(c) Dissolution of a partnership firm
(d) None of the above

ii **State the ratio in which the partners share the accumulated profits when there is a change in the profit sharing ratio amongst existing partne₹**

(a) Old ratio
(b) New ratio
(c) Equal ratio
(d) Sacrificing ratio

iii How is the sacrificing ratio determined?

(a) Old ratio – New ratio
(b) New ratio – old ratio
(c) Old ratio + New ratio
(d) None of the above

iv) What is the amount of Goodwill credited to X Capital A/c?

(a) ₹ 15,000 (b) ₹ 90,000 (c) ₹ 12,000 (d) ₹ 3,000

CASE 4

U, V and W are partners sharing profits in the ratio of 2:2:1. They decided to share future profits in the ratio 5:3:2. On that date the profit and loss account showed the credit balance of ₹ 90,000. Instead of closing the profit and loss account, it was decided to record an adjustment entry reflecting the change in profit sharing ratio They also decide to record the effect of the following revaluations and reassessments without affecting the bookvalues of assets and liabilities by passing a single adjustment entry:

	BookValue(Rs	RevisedValue(Rs)
Land and Building	2,50,000	3,00,000
Furniture	2,00,000	1,75,000

	<table><tr><td>Sundry Creditors</td><td>90,000</td><td>75,000</td></tr><tr><td>Outstanding Salaries</td><td>15,000</td><td>25,000</td></tr></table>**Answer the following questions:**
	i The single adjustment entry on revaluations and reassessments without affecting the bookvalues of assets and liabilities will be (a) Dr.W capital a/c ₹3,000 and Cr.U capital a/c ₹3,000 (b) Dr.U capital a/c ₹3,000 and Cr.V capital a/c ₹3,000 (c) Dr.V capital a/c ₹ 30,000 and Cr.U capital a/c ₹30,000 (d) Dr.W capital a/c ₹ 30,000 and Cr.V capital a/c ₹30,000
	ii Record an adjustment entry reflecting the change in profit sharing ratio when the profit and loss account is not closed (a) Dr.W capital a/c ₹9,000 and Cr.U capital a/c ₹9,000 (b) Dr.U capital a/c ₹9,000 and Cr.V capital a/c ₹9,000 (c) Dr.V capital a/c ₹ 90,000 and Cr.U capital a/c ₹90,000 (d) Dr.W capital a/c ₹ 90,000 and Cr.V capital a/c ₹90,000
	iii Calculate U's gain or sacrifice. (a) 1/10(sacrifice) (b) 1/10(gain) (c) 1/30(Gain) (d) 1/30(sacrifice)
	iv In case of change in profit-sharing ratio, the gaining partner must compensate the sacrificing partners by paying the proportional amount of (a) Capital (b) Cash (c) Goodwill (d) None of the above
CASE 5	R, S and T are sharing profits and losses in the ratio of 1:2:3, decided to share future profit and losses equally. The sacrificing and gaining ratio was calculated. The asset and liabilities were revalued and reassessed respectively. The Capital accounts of partners was prepared. **Answer the following questions:**
	i The ratio in which a partner surrenders his share in favour of a partner is known as: (a) New profit-sharing ratio (b) Sacrificing Ratio (c) Gaining Ratio (d) Capital Ratio
	ii The ratio in which a partner receives a rise in his share of profits is known as: (a) New Ratio (b) Sacrificing Ratio (c) Capital Ratio (d) Gaining Ratio
	iii Increase and decrease in the value of assets and liabilities are recorded through (a) Partners' Capital Account

	(b) Revaluation Account (c) Profit and Loss Appropriation Account (d) Balance Sheet
	iv Partner's capital account is credited when there is (a) Profit on revaluation (b) Transfer of general reserve (c) Transfer of accumulated profits (d) All of the above
CASE 6	*A*, *B* and *C* are partners sharing profits and losses in the ratio of 5 : 4 : 1. they decided to change their future profit-sharing ratio and agreed upon *C* acquiring 1/10th share of *A* and 1/2 share of *B*. **Answer the following questions:**
	i Calculate C's gain (a) 7/20 (b) 5/20 (c) 1/20 (d) 4/20
	ii Calculate A's sacrifice (a) 7/20 (b) 5/20 (c) 1/20 (d) 4/20
	iii Calculate B's sacrifice (a) 7/20 (b) 5/20 (c) 1/20 (d) 4/20
	iv Calculate New Profit Sharing Ratio (a) 7:4:9 (b) 4:9:7 (c) 4:7:9 (d) 9:4:7
CASE 7	X, *Y* and Z who are sharing profits in the ratio of 5 : 3 : 2, decide to share profits in the ratio of 2 : 3 : 5 with effect from 1st April, 2019. Workmen Compensation Reserve appears at ₹1,20,000 in the Balance Sheet as at 31st March, 2019. **Answer the following questions:**

	i **Workmen Compensation Claim is estimated at ₹1,50,000.** (a) Debited to Revaluation A/c ₹1,50,000 (b) Credited to Revaluation A/c ₹1,20,000 (c) Shown on Liability side of the Balance Sheet ₹1,50,000 (d) Credited to Partners Capital A/c ₹1,20,000
	ii **Workmen Compensation Claim is estimated at ₹80,000.** (a) Debited to Revaluation A/c ₹80,000 (b) Credited to Revaluation A/c ₹ 1,20,000 (c) Shown on Liability side of the Balance Sheet ₹1,20,000 (d) Credited to Partners Capital A/c ₹40,000
	iii **There is no Workmen Compensation Claim** (a) Debited to Revaluation A/c ₹1,20,000 (b) Credited to Revaluation A/c ₹ 1,20,000 (c) Shown on Liability side of the Balance Sheet ₹1,20,000 (d) Credited to Partners Capital A/c ₹1,20,000
	iv **Workmen Compensation Claim is estimated at ₹1,30,000.** (a) Debited to Revaluation A/c ₹10,000 (b) Credited to Revaluation A/c ₹ 1,30,000 (c) Shown on Liability side of the Balance Sheet ₹1,20,000 (d) Credited to Partners Capital A/c ₹10,000
CASE8	Chabi and Tanya were partners sharing Profit and Losses in 3 : 2 with affect from 1st April 2021, they decided to share future profits equally. **Answer the following questions:**
	i **On that date, following journal entry was passed by the firm:**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Chabi's Capital A/c To Tanya's Capital A/c		30,000	30,000

Which of the following balance was existing in the books of the firm on the date of reconstitution?

(a) Contingency Reserve ₹ 3,00,000

	(b) Profit and Loss (Dr.) Balance ₹ 3,00,000 (c) Profit and Loss (Cr.) Balance ₹ 3,00,000 (d) Advertisement Suspense Account ₹ 2,00,000
	ii **On that date, following journal entry was passed by the firm:**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Tanya's Capital A/Dr. To Chabi's Capital A/c		30,000	30,000

Which of the following balance was existing in the books of the firm on the date of reconstitution?

a) Contingency Reserve ₹ 3,00,000
b) Goodwill ₹ 3,00,000
c) Profit and Loss (Cr.) Balance ₹ 3,00,000
d) Advertisement Suspense Account ₹ 2,00,000

iii **On that date, following journal entry was passed by the firm:**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
	Tanya's Capital A/c To Chabi's Capital A/c		30,000	30,000

Which of the following balance was existing in the books of the firm on the date of reconstitution?

a. Contingency Reserve ₹ 3,00,000
b. Gain on Revaluation ₹3,00,000
c. Profit and Loss (Cr.) Balance ₹ 3,00,000
d. Advertisement Suspense Account ₹ 2,00,000

iv **Tanya is a ______________________.**

a) New partner
b) Sacrificing partner
c) Gaining partner
d) Neither gaining nor sacrificing

CASE 9	Ashish, Aakash and Amit are partners sharing profits and losses equally. The Balance Sheet as at 31st March, 2019 was as follows:

	(balance sheet below)

Liabilities		Amount (₹)	Assets	Amour (₹)
Sundry Creditors		75,000	Cash in Hand	24,000
General Reserve		90,000	Cash at Bank	1,40,00
Capital A/cs:			Sundry Debtors	80,000
Ashish	3,00,000		Stock	1,40,00
Aakash	3,00,000		Land and Building	4,00,00
Amit	2,75,000	8,75,000	Machinery	2,50,00
			Advertisement Suspense	6,000
		10,40,000		10,40,0

The partners decided to share profits in the ratio of 2 : 2 : 1 w.e.f. 1st April, 2019. They also decided that:

Answer the following questions:

i Value of stock to be reduced to ₹ 1,25,000.

a) Debit Revaluation a/c ₹15,000
b) Credit Revaluation a/c ₹15,000
c) Stock will be shown in Balance Sheet ₹15,000
d) Credit Revaluation a/c ₹1,25,000

ii Value of machinery to be decreased by 10%.

a) Debit Revaluation a/c ₹25,000
b) Credit Revaluation a/c ₹1,25,000
c) Machinery will be shown in Balance Sheet ₹25,000
d) Credit Revaluation a/c ₹25,000

iii Land and Building to be appreciated by ₹ 62,000.

a) Debit Revaluation a/c ₹62,000
b) Credit Revaluation a/c ₹62,000
c) Land and Building will be shown in Balance Sheet ₹62,000
d) Credit Revaluation a/c ₹4,62,000

iv Provision for Doubtful Debts to be made @ 5% on Sundry Debto₹

a) Debit Revaluation a/c ₹4,000
b) Credit Revaluation a/c ₹4,000
c) Sundry Debtors will be shown in Balance Sheet ₹84,000
d) Debit Revaluation a/c ₹40,000

CASE 10

Nitin, Tarun and Amar are partners sharing profits equally and decide to share profits in the ratio of 2 : 2 : 1 w.e.f. 1st April, 2019. The extract of their Balance Sheet as at 31st March, 2019 is as follows:

Liabilities	₹	Assets	₹
Investments Fluctuation Reserve	60,000	Investments (At Cost)	4,00,000

Answer the following questions:

i On that date, following journal entry was passed by the firm:

Date	**Particulars**	Debit (₹)	Credit (₹)
April 2019	Investment Fluctuation Reserve A/c Dr.	60,000	
	To Nitin's Capital A/c		20,000
	To Tarun's Capital A/c		20,000
	To Amar's Capital A/c		20,000

Which of the following adjustment was existing in the books of the firm on the date of reconstitution?

(a) When its Market Value is not given
(b) When its Market Value is ₹ 3,10,000
(c) When its Market Value is ₹ 4,24,000
(d) When its Market Value is ₹ 3,70,000

ii On that date, following journal entry was passed by the firm:

Date	**Particulars**	Debit (₹)	Credit (₹)
April 2019	Investment Fluctuation Reserve A/c Dr.	60,000	
	To Investment A/c		30,000
	To Nitin's Capital A/c		10,000
	To Tarun's Capital A/c		10,000
	To Amar's Capital A/c		10,000

Which of the following adjustment was existing in the books of the firm on the date of reconstitution?

(a) When its Market Value is ₹ 4,00,000
(b) When its Market Value is ₹ 4,24,000

(c) When its Market Value is ₹ 3,70,000
(d) When its Market Value is ₹ 3,10,000

iii On that date, following journal entry was passed by the firm:

Date	**Particulars**	Debit (₹)	Credit (₹)
April 2019	Investment Fluctuation Reserve A/c Dr.	60,000	
	Revaluation A/c Dr.	30,000	
	To Investment A/c		90,000

Which of the following adjustment was existing in the books of the firm on the date of reconstitution?

(a) When its Market Value is not given
(b) When its Market Value is ₹ 3,10,000
(c) When its Market Value is ₹ 4,24,000
(d) When its Market Value is ₹ 3,70,000

iv On that date, following journal entry was passed by the firm:

Date	**Particulars**	Debit (₹)	Credit (₹)
April 2019	Investment A/c Dr.	24,000	
	To Revaluation A/c		24,000

Which of the following adjustment was existing in the books of the firm on the date of reconstitution?

(a) When its Market Value is not given
(b) When its Market Value is ₹ 3,10,000
(c) When its Market Value is ₹ 4,24,000
(d) When its Market Value is ₹ 3,70,000

CASE 11	Jatin, Vimal and Kumar are partners sharing profits equally and decide to share profits in the ratio of 3 : 2 : 1 w.e.f. 1st April, 2019. Their existing agreement came to an end and a new agreement came into existence. They computed the sacrifice and gain made by each partner.

	Answer the following questions:
	i **A change in profit sharing ratio amounts to** a. Dissolution of a firm b. Dissolution of partnership c. Both a. and b. d. None of the above
	ii Why is it important to compute the sacrifice and gain made by each partner at the time of change in profit sharing ratio. a. Because sacrificing partner compensates the gaining partner b. Because gaining partner compensates the sacrificing partner c. Both a. and b. d. None of the above
	iii At the time of change in profit sharing ratio between partners, which statement is true. a. The gain made by one/more partner/s equals the sacrifice made by another/other partners b. The gain made by one/more partner/s less than the sacrifice made by another/other partners c. The gain made by one/more partner/s more than the sacrifice made by another/other partners d. None of the above is true
	iv **At the time of change in profit sharing ratio between partners in the case, whose share of profit is not affected.** **a.** J **b.** V **c.** K **d.** J and K
CASE 12	Raja and Suraj were partners sharing Profit and Losses in 3 : 2 with affect from 1st April 2021, they decided to share future profits equally. The goodwill was adjusted at the time of change in profit sharing ratio between partne₹ **Answer the following questions:**
	i **State the need for treatment of goodwill on change in profit sharing ratio.** a. The gaining partner is required to compensate the sacrificing partner. b. The sacrificing partner is required to compensate the gaining partner. c. Both a. and b. d. None of the above
	ii **Which partner's capital account is debited at the time of adjusting goodwill through capital accounts?**

	a. Gaining partner's capital account b. Sacrificing partner's capital account c. All partner's capital account d. None of the above
	iii **In which ratio is goodwill already existing in the books of account written-off?** a. Sacrificing ratio b. New ratio c. Old ratio d. Gaining ratio
	iv Goodwill can be recorded in the books only when a. It is internally generated b. It is purchased c. Both a. and b. d. None of the above
CASE 13	A,B and C are partners sharing profits and losses in the ratio of 5:4:1. C acquires 1/5th share from A. There is an accumulated profit or losses of ₹90,000. The assets have to be revalued and liabilities reassessed. They decided not to record the revised values of assets and liabilities in the books. **Answer the following questions:**
	i In case of change in profit sharing ratio, the question is silent, then accumulated profit or losses of ₹90,000 are a. Distributed b. Not distributed c. Adjusted d. None of these
	ii Revaluation account is prepared …………… the value of assets. a. To revise b. Not to revise c. To distribute d. None of these
	iii The steps to be followed in case of change in profit sharing ratio, when revised values are not to be recorded in the books are 1. Pass a single adjustment entry 2. To find share of sacrifice/gain of partners 3. Calculation of the net effect of revaluation 4. Calculation of proportional amount of net effect of revaluation. The options are

	a. 2,3,4,1 b. 3,2,4,1 c. 4,3,2,1 d. None of these
	iv Calculate new profit sharing ratio a. 5:4:2 b. 5:4:1 c. 3:4:3 d. None of these
CASE 14	A, B and C are partners sharing Profit and losses in the ratio 3:2:1. From 1st April 2018, A,B and C decided to share profit and losses equally. This may result in the gain to a few partners and loss to othe₹ **Answer the following questions:**
	i **From 1st April 2018, A,B and C decided to share profit and losses equally. It is a** a. Revaluation of the firm b. Dissolution of the firm c. Reconstitution of the firm d. None of the above
	ii As there is a change in profit sharing ratio. Which of the following is calculated? a. Sacrificing ratio b. Gaining ratio c. Both a. and b. d. None of the above
	iii What is the formula of Sacrificing Ratio. a. Sacrificing ratio = Old ratio – New ratio b. Sacrificing ratio = Old ratio +New ratio c. Sacrificing ratio = New ratio – Old ratio d. None of the above
	iv What is the formula of Gaining Ratio. a. Gaining Ratio = Old ratio – New ratio b. Gaining Ratio = Old ratio +New ratio c. Gaining Ratio = New ratio – Old ratio d. None of the above
CASE15	Tina and Mira were partners sharing Profit and Losses in 5 : 2 with affect from 1st April 2021, they decided to share future profits equally. There was an unrecorded liability and an unrecorded asset. Expenses were incurred by the firm to give effect to the change in profit sharing ratio. The partner Tina had to be paid remuneration for the

	services rendered by her relating to reconstitution of the firm . **Answer the following questions:**
	i. When remuneration is paid by the firm to Tina and expenses are borne by the firm, which of the following journal is correct. a. Revaluation a/c Dr. ; Tina's capital a/c Cr. b. Tina's capital a/c Dr.; Revaluation a/c Cr. c. Cash a/c Dr.; Tina's capital a/c Cr. d. None of these
	ii When expenses were to be borne by Tina but are paid by the firm, which of the following journal is correct. a. Revaluation a/c Dr.; Tina's capital a/c Cr. b. Tina's capital a/c Dr.; Cash/Bank a/c Cr. c. Cash/Bank a/c Dr.; Tina's capital a/c Cr d. None of these
	iii When expenses are incurred and paid by the firm, which of the following journal is correct. a. Revaluation a/c Dr.; Tina's capital a/c Cr. b. Tina's capital a/c Dr.; Cash/Bank a/c Cr. c. Revaluation a/c Dr.; Cash/Bank a/c Cr. d. None of these
	iv Unrecorded liabilities and Unrecorded assets are recorded in a. Revaluation a/c ;where they are credited and debited respectively b. Revaluation a/c ;where they are debited and credited respectively c. Partners capital a/c ; where they are credited and debited respectively d. Partners capital a/c ; where they are credited and debited respectively
CASE 16	X, Y and Z are sharing profits and losses in the ratio of 3 : 2 : 1. They decide to share future profits and losses in the ratio of 5 : 3 : 2 with effect from 1st April, 2019. On this date, the Balance sheet showed Contingency Reserve ₹ 9,000 and Deferred Advertisement Expenditure ₹30,000. Goodwill was valued at ₹ 4,80,000. **Answer the following questions:**
	i What is the journal entry for Deferred Advertisement Expenditure ₹30,000 a. Dr. X Capital a/c ₹15,000; Dr. Y Capital a/c ₹10,000; Dr. Z Capital a/c ₹5,000; Cr. Deferred Advertisement Expenditure a/c ₹ 30,000 b. Dr. X Capital a/c ₹15,000; Dr. Y Capital a/c ₹9,000; Dr. Z Capital a/c ₹6,000; Cr. Deferred Advertisement Expenditure a/c ₹ 30,000

	c. Dr. Z Capital a/c ₹10,000; Cr. Y Capital a/c ₹10,000 d. None of the above
	ii What is the journal entry for Contingency Reserve ₹ 9,000 a. Dr. Contingency Reserve a/c ₹9,000; Cr. X Capital a/c ₹4,500; Cr. Y Capital a/c ₹3,000; Cr. Z Capital a/c ₹ 1,500 b. Dr. Contingency Reserve a/c ₹9,000; Cr. X Capital a/c ₹4,500; Cr. Y Capital a/c ₹2,700; Cr. Z Capital a/c ₹ 1,800 c. Dr. Z Capital a/c ₹300; Cr. Y Capital a/c ₹300 d. None of the above
	iii What is the journal entry for Goodwill was valued at ₹ 4,80,000. a. Dr Goodwill a/c ₹ 16,000; Cr. Y Capital a/c ₹ 16,000 b. Dr. Y Capital a/c ₹ 16,000; Cr. Z Capital a/c ₹ 16,000 c. Dr. Z Capital a/c ₹ 16,000; Cr. Y Capital a/c ₹16,000 d. None of the above
	iv The partner(s) whose share will be unaffected a. Y b. Z c. X d. Z and Y
CASE17	R, K and S are sharing profits and losses in the ratio of 5 : 4 : 1. They decide to share future profits and losses in the ratio of 1 : 4 : 5 with effect from 1st April, 2019. On that date, they revalued their assets and reassessed their liabilities. They had an unrecorded asset. **Answer the following questions:**
	i **Revaluation a/c is a** a. Real a/c b. Nominal a/c c. Personal a/c d. None of the above
	ii Revaluation of assets is necessary because their present value may be different from their ………………………. a. Book value b. Market value c. Both a. and b. d. None of the above
	iii What is unrecorded asset? a. Assets which physically exist but not shown in the Balance sheet

	b. Assets which physically do not exist and not shown in the Balance sheet c. Assets which physically exist but shown in the Balance sheet d. None of the above
	iv The partner(s) who will share Gain or loss on revaluation are a. R,K,S b. Both R and S c. Only S d. Only R
CASE 18	A and B are partners in a firm sharing profits in the ratio of 2 : 1. They decided with effect from 1st April, 2018, that they would share profits in the ratio of 3 : 2. But, this decision was taken after the profit for the year ended 31st March, 2019 of ₹ 90,000 was distributed in the old ratio. Firm's goodwill was valued on the basis of aggregate of two years profits preceding the date decision became effective. The profits for the year ended 31st March, 2017 and 2018 were ₹ 60,000 and ₹ 75,000 respectively. It was decided that Goodwill Account will not be opened in the books of the firm and necessary adjustment be made through Capital Accounts which on 31st March, 2019 stood at ₹ 1,50,000 for A and ₹ 90,000 for B. **Answer the following questions:**
	i In adjustment of profit for 2018-19 on change in profit sharing ratio, the journal entry is a. Dr. A's Capital A/c ₹6,000; Cr. B's Capital A/c ₹ 6,000 b. Cr. A's Capital A/c ₹6,000; Dr. B's Capital A/c ₹ 6,000 c. Dr. A's Capital A/c ₹90,000 ;Cr. B's Capital A/c ₹ 90,000 d. Cr. A's Capital A/c ₹90,000; Dr. B's Capital A/c ₹ 90,000
	ii Adjustment of goodwill made on change in profit sharing ratio, the journal entry is a. Dr. A's Capital A/c ₹9,000; Cr. B's Capital A/c ₹ 9,000 b. Cr. A's Capital A/c ₹9,000 ;Dr. B's Capital A/c ₹ 9,000 c. Dr. A's Capital A/c ₹1,35,000; Cr. B's Capital A/c ₹ 1,35,000 d. Cr. A's Capital A/c ₹ 1,35,000; Dr. B's Capital A/c ₹ 1,35,000
	iii Calculate New Goodwill. a. ₹ 60,000 b. ₹ 75,000 c. ₹ 1,35,000 d. ₹ 67,500
	iv What is the closing balance of Partners Capital accounts?

	a. A-₹1,53,000; B-₹87,000 b. A-₹1,59,000; B-₹96,000 c. A-₹1,44,000; B-₹81,000 d. A-₹1,24,000; B-₹89,000
CASE 19	Amar and Akbar are partners sharing profits in the ratio of 2 : 1. On 31st March, 2019, their Balance Sheet showed General Reserve of ₹ 60,000. It was decided that in future they will share profits and losses in the ratio of 3 : 2. **Answer the following questions:**
	i When General Reserve is not to be shown in the new Balance Sheet. Pass necessary Journal entry. a. Dr. General Reserve A/c ₹ 60,000; Cr. Amar's Capital A/c ₹40,000; Cr. Akbar's Capital A/c ₹20,000 b. Dr. Amar's Capital A/c ₹40,000; Dr. Akbar's Capital A/c ₹20,000; Cr. General Reserve A/c ₹ 60,000 c. Cr. Amar's Capital A/c ₹60,000; Dr. Akbar's Capital A/c ₹60,000 d. None of the above
	ii When General Reserve is to be shown in the new Balance Sheet. Pass necessary Journal entry. a. Dr. General Reserve A/c ₹ 60,000; Cr. Amar's Capital A/c ₹40,000; Cr. Akbar's Capital A/c ₹20,000 b. Dr. Amar's Capital A/c ₹40,000; Dr. Akbar's Capital A/c ₹20,000; Cr. General Reserve A/c ₹ 60,000 c. Cr. Amar's Capital A/c ₹4,000; Dr. Akbar's Capital A/c ₹4,000 d. None of the above
	iii **Calculate the sacrificing share?** a. 1/15 b. 2/15 c. 1/30 d. None
CASE 20	A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. Their Balance Sheet as on 31st March, 2015 was as follows:

Liabilities		Amount (₹)	Assets	Amount (₹)
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
General Reserve		30,000	Plant	1,00,000
Capital A/cs:			Stock	40,000
A	1,00,000		Debtors	30,000
B	50,000		Bank	5,000

C	25,000	1,75,000		
		2,75,000		2,75,000

From 1st April, 2015, A, B and C decided to share profits equally. For this it was agreed that:
(i) Goodwill of the firm will be valued at ₹ 1,50,000.
(ii) Land will be revalued at ₹ 80,000 and building be depreciated by 6%.
(iii) Creditors of ₹ 6,000 were not likely to be claimed and hence should be written off.

Answer the following questions:

I Calculate the gain on Revaluation?

a. ₹ 33,000
b. ₹ 36,000
c. ₹ 30,000
d. None of the above

ii What will be the Land value shown in new Balance sheet?

a. ₹ 30,000
b. ₹ 50,000
c. ₹ 80,000
d. ₹ 1,30,000

iii What will be the Creditors value shown in new Balance sheet?

a. ₹ 44,000
b. ₹ 50,000
c. ₹ 56,000
d. ₹ 6,000

iv What will be the journal entry for Goodwill?

a. Dr. C's capital a/c ₹25,000; Cr. A's capital a/c ₹ 25,000

b. Cr. C's capital a/c ₹25,000; Dr. A's capital a/c ₹ 25,000

c. Dr. C's capital a/c ₹1,50,000; Cr. A's capital a/c ₹ 1,50,000

d. Cr. C's capital a/c ₹1,50,000; Dr. A's capital a/c ₹ 1,50,000

****

ANSWERS

CASE1	I	b	II	a	III	a	IV	a
CASE2	I	c	II	c	III	a	IV	a
CASE3	I	a	II	a	III	a	IV	a
Case4	I	b	II	b	III	b	IV	c
Case5	I	b	II	d	III	b	IV	d
Case6	I	b	II	c	III	d	IV	d
Case7	I	c	Ii	d	Iii	d	Iv	a
Case8	I	b	Ii	b	Iii	b	Iv	c
Case9	I	a	Ii	a	Iii	b	Iv	a
Case10	I	a	Ii	c	Iii	b	Iv	c
Case11	I	b	Ii	b	Iii	a	Iv	b
Case12	I	a	Ii	a	Iii	c	Iv	b
Case13	I	a	Ii	a	Iii	b	Iv	c
Case14	I	c	Ii	c	Iii	a	Iv	c
Case15	I	a	Ii	b	Iii	c	Iv	b
Case16	I	a	Ii	a	Iii	c	Iv	c
Case17	I	b	Ii	a	Iii	a	Iv	a
Case18	I	a	Ii	b	Iii	c	Iv	a
Case19	I	a	Ii	c	Iii	a	Iv	-
Case20	I	a	ii	c	Iii	a	Iv	a

	CASE STUDY BASED QUESTIONS
	CHAPTER 3
	ADMISSION OF A PARTNER
CASE 1	Read the following hypothetical text and answer the given questions on the basis of the same:

Jacob and Joseph are friends and they are doing manufacturing toys car. Their profit-sharing ratio was 3:2. They got a new project of making electronic toys and they needed additional fund for doing that project. So, they decided to admit their common friend, James for raising the additional fund and he brought ₹5, 00,000 as capital for 2/7th share. The goodwill of the firm is valued at ₹14, 00,000.

At the time of James admission their balance sheet as follows:

Liabilities	Amount	Assets		Amount
Creditors	350,000	Cash at Bank		7,0000
Capitals		Debtors	21,000	
Jacob	5,00,000	Less Prov for Bad debts	1,000	20,000
Joseph	5,00,000	Stock		5,80,000
		Plant & Machinery		5,00,000
		Building		1,80,000
	1350,000			135,000

At the time of revaluation of assets and reassessment of liabilities the following things was found:

a) Provision for bad and doubtful debts should be increased to ₹3,000

Unexpired insurance of ₹1, 500 should be brought into record

1. What will be the amount of premium or goodwill is credited to Joseph's A/c
   a)4,00,000 b) 2,40,000 c)1,60,000 d)7,00,000

2. What will be the correct journal entry for unexpired insurance brought into record?
   a) Unexpired Insurance A/c Dr 1500
      To Revaluation A/c 1500
   b) Revaluation A/c Dr 1500
      To Unexpired Insurance A/c 1500
   c) Revaluation A/c Dr 1500
      To Insurance 1500
   d) Insurance A/c Dr 1500
      To Revaluation A/c 1500
3. What is the treatment of Provision for doubtful debts at the time of James admission?

<table>
<tr><td></td><td>a) ₹3000 debited to Revaluation A/c
b) ₹2000 debited to Revaluation A/c
c)₹1000 debited to Revaluation A/c
d)₹4000 debited to Revaluation A/c
4. What will be the new ratio between Jacob, Joseph and James
a) 3:2:2 b) 1:1:1 c) 5:3:2 d) 15:10:5</td></tr>
<tr><td>CASE 2</td><td>Read the following hypothetical text and answer the given questions on the basis of the same:

After completing MBA Ram and Rahim started a new business. Their profit-sharing ratio was 3:2. They are running the business very successfully. One day they met their friend Vimal and they are engaged in a friendly talk Vimal said he also wants to join with Ram and Rahim. They admitted Vimal as a new partner for 3/13th share in the profits. Their new profit-sharing ratio will be 5:5:3. On the date of admission the goodwill of the firm valued at ₹5, 20,000. Vimal brought his share of Capital ₹2, 50,000 and premium for goodwill in cash. There was a Workmen Compensation Reserve at Ram and Rahim's Balance sheet ₹1, 00,000. There was a claim against workmen compensation amounted to ₹ 1, 10,000. At the time of admission of Vimal they found that there was an unrecorded Computer and they brought into account.

Based on above information answer the following</td></tr>
<tr><td></td><td>1. What will be the sacrificing ratio among Ram and Rahim?
a) 1:14 b) 14:1 c) 3:2 d) 1:1
2. What is the amount of goodwill brought in by Vimal?
a) ₹2,50,000 b) ₹5,20,000 c) ₹1,20,000 d) ₹1,12,000
3. How much amount of Workmen compensation is distributed among the partners?
a) 1,00,000 b) 1,10,000 c)10,000 d) None of these
4. What will be the treatment of unrecorded computer?
a) Debited to Revaluation A/c
b) Credited to Revaluation A/c
c) Transferred to Debit side of Partners' capital a/c
d) Transferred to Credit side of Partners' capital a/c</td></tr>
<tr><td>CASE 3</td><td>Read the following text and answer the following

Rekha, Sunita and Teena are doing paper business in Ludhiyana. They used to share profits in the ratio of 3:2:1. They decided to provide note books to students of rural area at free of cost. Sunitha wants to admit her friend Samiksha in their firm. All others are agreed with Sunitha and Rekha surrenders 1/4th of her share; Sunita surrenders 1/3rd of her share and Teena 1/5th of her share in favour of Samiksha.
Samiksha brought ₹ 50,000 as capital and ₹ 20000 as goodwill. In the old partners' balance sheet there was an existing goodwill ₹25,000. There was an Investment fluctuation Reserve of ₹15000 and investment (book value) ₹30,000. At the time of admission of Samiksha all assets are revalued and liabilities are reassessed and found that market value of investment is ₹25,000.</td></tr>
</table>

1. What will be the new ratio?
   a) 45:40:12:6 b) 135:80:48:97 c) 6:4:2:1 d) 24:18:30:45
2. What will be the ratio of Samiksha?
   a)3/12 b)6/12 c)97/360 d)45/ 150
3. What will be the journal entry for existing goodwill?
   a) Goodwill A/c Dr 25,000
      To Rekha's Capital A/c 6250
      To Sunitha's Capital A/c 6250
      To Teena's Capital A/c 6250
      To Samiksha's Capital A/c 6250
      (Being ……………………………………)
   b) Goodwill A/c Dr 25,000
      To Rekha's Capital A/c 12500
      To Sunitha's Capital A/c 8333
      To Teena's Capital A/c 4167
      (Being ……………………………………)
   c) Rekha's Capital A/c 6250
      Sunitha's Capital A/c 6250
      Teena's Capital A/c 6250
      Samiksha's Capital A/c 6250
      To Goodwill A/c 25000
      (Being ……………………………………)

   d) Rekha's Capital A/c 12500
      Sunitha's Capital A/c 8333
      Teena's Capital A/c 4167

      To Goodwill A/c 25000

   (Being ……………………………………)

4. What will be the treatment of Investment Fluctuation Reserve?
   a) Investment Fluctuation Reserve A/c Dr 15,000
      To Rekha 's Capital A/c 7500
      To Sunitha's Capital A/c 5000
      To Teena's Capital A/c 2500

   (Being ……………………………………)

   b) Investment Fluctuation Reserve A/c Dr 15000
      To Investment A/c 5000
      To Rekha 's Capital A/c 5000
      To Sunitha's Capital A/c 3333
      To Teena's Capital A/c 1667

   (Being ……………………………………)

	c) Revaluation A/c Dr 5,000 To Investment A/c 5,000 (Being ……………………………….) d) Investment A/c Dr 25,000 To Revaluation A/c 25000 (Being ……………………………….)
CASE:4	Madan and Mohan who share profits and losses in the ratio of 3 : 2 . Their Balance sheet was as follows as on 31-03-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	28,000	Cash at Bank	10,000
General Reserve	10,000	Debtors 65,000	
Employees Provident Fund	22,000	Less: Provision for Doubtful debts 5,000	60,000
Capitals:		Stock	33,000
Madan 60,000		Patents	57,000
Mohan 40,000	1,00,000		
	1,60,000		1,60,000

They decided to admit Gopal on 1st April, 2020 for 1/5th share which Gopal acquired wholly from Mohan on the following terms:

(i) Gopal shall bring ₹10,000 as his share of premium for Goodwill.
(ii) Create provision for doubtful debts @10%.
(iii) (iii) A claim of ₹5,000 on account of workmen's compensation was to be provided for.
(iv) Patents were undervalued by ₹ 2,000. Stock in the books was valued 10% more than its market value.

What will be the treatment of Workmen Compensation Reserve at the time of admission of Gopal?

a) Debited to Partners Capital A/c b) Credited to Old partners' capital A/c c) Debited to Revaluation A/c d) Credited to Revaluation A/c

	2. What will be the treatment of provision for doubtful debts in Revaluation A/c? a) ₹ 6500 debited to Revaluation A/c b) ₹ 6500 credited to Revaluation A/c c) ₹ 1500 debited to Revaluation A/c d) ₹1500 credited to Revaluation A/c 3. What is the journal entry for the treatment of goodwill? a) Premium for Goodwill A/c Dr 10000 To Madan's Capital A/c 6000 To Mohan's Capital A/c 4000 b) Premium for Goodwill A/c Dr 10000 To Madan's Capital A/c 5000 To Mohan's Capital A/c 5000 c) Premium for Goodwill A/c Dr 10000 To Madan's Capital A/c 10000 d) Premium for Goodwill A/c Dr 10000 To Mohan's Capital A/c 10000 4. What will be the treatment for Employee Provident Fund? Credited to Partners Capital A/c a) Debited to Partners Capital A/c b) Transferred to Revaluation A/c c) Transferred to Liability side of Balance Sheet
CASE:5	Haritha and Bobby were partners in a firm sharing profits and losses in the ratio of 3:1. On 31st March, 2019, their balance sheet was as follows:

Liabilities	Amount	Assets	Amount
Creditors	1,10,000	Cash at bank	60,000
General Reserve	40,000	Debtors	40,000
Workmen's compensation reserve	50,000	Stock	45,000
Capitals:		Furniture	1,55,000
Haritha 4,00,000		Land & Building	5,00,000
Bobby 2,00,000	6,00,000		
	8,00,000		8,00,000

They admitted Vihaan as a new partner for 1/5th share in the profits of the firm on the following terms:

(a) Vihaan brought ₹1, 00,000 as his capital.

b) Goodwill of the firm was valued at ₹4, 00,000. Vihaan brought the necessary amount in cash for his share of goodwill premium, half of which was withdrawn by the old partner

(c) Liability on account of workmen's compensation amounted to ₹ 80,000.

	(d) Haritha took over stock at ₹ 35,000. On the basis of above information answer the following.
	1. What will be the correct treatment of stock at the time of admission? a) ₹10,000 debited to Revaluation A/c and ₹35000 debited to Haritha's capital A/c b) ₹10,000 credited to Revaluation A/c c) ₹10,000 debited to Revaluation A/c d) ₹45,000 credited to Haritha's capital A/c and ₹10,000 credited to Revaluation A/c 2. What will be the correct journal entry of Workmen compensation reserve? a) Workmen compensation reserve A/c Dr 50,000 To Haritha's Capital A/c 37,500 To Bobby's Capital A/c 12,500 (Being ………………………………….) b) Workmen compensation reserve A/c Dr 80000 To Haritha's Capital A/c 60,000 To Bobby's Capital A/c 20,000 (Being ………………………………….) c) Workmen compensation reserve A/c Dr 80,000 To workmen compensation claim A/c 30,000 To Haritha's Capital A/c 37,500 To Bobby's Capital A/c 12,500 (Being ………………………………….) Revaluation A/c Dr 30,000 To workmen compensation claim A/c 30000 (Being ………………………………….) 3. What will be the amount of goodwill premium brought by Vihan? a) 80,000 b) 40,000 c)4,00,000 d) 1,00,000 4. What is the treatment of General Reserve at the time of admission? a) Debited to all partners' capital A/c b) Debited to old partners' capital A/c c) Credited to old partners' capital A/c d) Shown on the liability side of balance sheet.

CASE:6	Mayank and Ayush are planning to manufacture stuffed toys for utilizing waste material of one of their garment's factories. They decided that this manufacturing unit will be set up in a rural area, so that people living in rural areas can have job opportunities. Their capital contributions were ₹ 5, 00,000 and ₹4, 00,000. Their profit sharing ratio is 5:3. For starting new venture they need of some additional fund. For meeting the additional fund, they decided to admit Vishal as a new partner. Mayank and Ayush sacrificed their share of profit in favour of Vishal. Mayank forgo ¼ th of his share and Ayush forgo 2/5th of his share. Vishal is admitted as per the agreement and he brought ₹200000 as his capital and ₹40000 as goodwill premium. At the time of admission of Vishal the old balance sheet of Mayank and Ayush had Advertisement Suspense A/c of ₹30,000 on the assets side and Profit and Loss A/c on liability side. Based on above text answer the following
	1. What will be the new ratio? a) 5:3:3 b) 20:12:8 c) 1:1:1 d) 4:2:3 2. What is the goodwill of the firm? a) 40,000 b) 2,00,000 c) 50,000 d) 60,000 3. What is the correct entry of Advertisement Suspense A/c? a) Advertisement Suspense A/c Dr 30000 To Mayank's capital A/c 10000 To Ayush's capital A/c 10000 To Vishal's capital A/c 10000 (Being ……………………………………) b) Advertisement Suspense A/c Dr 30000 To Mayank's capital A/c 15000 To Ayush's capital A/c 15000 (Being ……………………………………) c) Mayank's capital A/c Dr 18750 Ayush's capital A/c Dr 11250 To Advertisement Suspense A/c 30,000 (Being ……………………………………) There is no treatment at the time of admission 4. What is the treatment of Profit and Loss A/c a) Credited to all partners' capital A/c b) Credited to old partners' capital A/c c) Credited to old partners' capital A/c in their sacrificing ratio

d) Debited to old partners' capital A/c

CASE 7

Ashish and Nimish were partners in a firm sharing profits and losses in the ratio of 3: 2.

Balance sheet of Ashish and Nimish was as follows.

Liabilities	₹	Assets	₹
Capital Accounts:		Plant & Machinery	2,90,00
Ashish 3,10,000		Land &Building	2,20000
Nimish 2,90,000	6,00,000	Debtors 90,000	
General Reserve	50,000	Less: Provision for	
Workmen's compensation fund	20,000	Bad and doubtful	
	1,10,000	debts (1000)	89,000
Creditors		Stock	1,40,000
		Cash	41,000
	780000		780000

Geeta was admitted into the partnership for ¼ th share in the profits on the following terms:

(i) Goodwill of the firm was valued at ₹2, 00,000.

(ii) Geeta brought ₹ 3, 00,000 as her capital and her share of goodwill premium in cash.

(iii) Bad debts amounted to ₹ 1,000. Create a provision for doubtful debts @ 5% on debtor

(iv) The liability against workmen's compensation fund was determined at ₹30,000.

Based on above information answer the following;

1. What will be the new ratio?
   a) 3:2:1
   b) 3:2:5
   c) 9:6:5
   d) 5:3:2
2. What is the amount of provision for doubtful debts to be created?

   a)4500 b)4450 c)4400 d) 4550

3. What is the amount of premium contributed by Geeta?
   a) 2,00,000
   b) 50,000

	c) 3,00,000 d) 5,000 4. Which amount will be debited to revaluation a/c as workmen compensation claim a) 20,000 b) 30,000 c) 50,000 d) 10,000
CASE 8	William and Rayan are the partners in a firm sharing profits in the ratio of 3:2. Their Balance sheet as at 31st March, 2020 was as follows:

Liabilities	Amount	Assets	Amount
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding Salary	3,000	Stock	20,000
General Reserve	5,000	Furniture	40,000
Capitals		Plant & Machinery	40,000
William 60,000			
Rayan 40,000	1,00,000		
	1,30,000		1,30,000

On the above date, Clement was admitted for 1/5th share in the profits which he acquired equally from William and Rayan on the following terms:

(i) Clement will bring ₹ 30,000 as his capital and ₹10,000 for his share of goodwill premium.

(ii) Investments of ₹ 2,500 not mentioned in the Balance Sheet were to be taken in to account.

(iii) A creditor of ₹ 2,100 not likely to claim

Based on above information answer the following.

1. What will be the new ratio?

   a) 3:2:1 b) 5:3:2 c) 6:4:2 d) 2:2:1

2. What is the correct treatment of Investments?

a) Debited to Revaluation A/c

b) Credited to Revaluation A/c

c) Debited to Partners' capital A/c

d) There is no treatment at the time of admission

3. How much amount will record as creditors in new Balance sheet?

a) 2100

b) 22,100

c) 18,900

d) 17,900

4 . What is the share of General Reserve for Clement?

a) 1,000

b) 5,000

c) 2000

d) No share in General Reserve

CASE 9

Amit and Rijith are equal partners started the business of preparation and supplying sweets through home delivery at a production cum show-room 'Express Sweets' at Bangalore. They wanted to extend their business operation to Hyderabad. Due to some personal reasons Rijith can't contribute additional capital for the expansion of the business. So Rijith introduced his friend Kamal to Amit and he is ready to invest in their business. They decided to share the future profits in the ratio of 5:3:2.

Kamal brought ₹1, 00,000 as capital and his share of goodwill in cash. The goodwill of the firm is valued at 2 years purchase of previous 3 years profit. Profit for the year ended 2018 and 2019 were ₹ 1, 40,000 and ₹2, 00,000 respectively.

Balance Sheet as on 31-03-2020 as follows

Liabilities	Amount	Assets	Amount
Capitals :		Cash in hand	1,40,000
Amit	1,00,000	Debtors	1,60,000
Rijith	80,000	Stock	1,20,000
Creditors	2,10,000	Machinery	1,00,000
		Building	2,80,000
Workmen			

Compensation Fund	2,50,000		
Profit and Loss A/c	2,60,000		
	8,00,000		8,00,000

Based on above details answer the following:

1. What will be the ratio of new Partner Kamal
   a) 2/10
   b) 5/10
   c) 3/10
   d) ½
2. What is the amount of firm's goodwill?

   a) 2, 00,000

   b) 4, 00,000

   c) 3, 40,000

   d) 6, 00,00

3. What is the amount of premium brought in by Kamal
   a) 1,60,000
   b) 80,000
   c) 40,000
   d) 2,00,000
4. What is the treatment of Profit & Loss A/c shown in the Balance Sheet?
   a) Distributed among all partners in new profit sharing ratio.
   b) Distributed among old partners in their new ratio.
   c) Distributed among old partners in their old ratio.
   d) Transferred to revaluation a/c.

CASE 10

Abhijith and Binoy are college mates after completion of their studies they started a business of manufacturing pickles. They are sharing profits in the ratio of 3:1. Their balance sheet as at 31st March 2020 was as follows.

Liabilities	Amount	Assets	Amount
Creditors	1,82,600	Land	3,30,000
Capital		Furniture	49,000
Abhijith	3,52,000	Stock	2,64,000

		Binoy	2,90,400	Debtors Bills Receivables Cash	70,000 57,000 55,000
			8,25,000		8,25,000

On this date Chandru was admitted in to partnership for 1/8th share in profits. He brought Capital and goodwill premium in cash. At the time of admission of Chandru the firm revalued the assets and reassessed the liabilities and found the following.

1. Stock was overvalued by ₹4,000
2. Furniture is to be depreciated by 10% and Land to be appreciated by 20%. Provision for doubtful debts is to be created @5% on debtor
3. Provision for damages is to be made at ₹3, 000.

Based on above information answer the following:

1. What will be the result of revaluation A/c
   a) Gain on revaluation ₹ 68,400
   b) Gain on revaluation ₹ 48600
   c) Gain on revaluation ₹ 50,600
   d) Gain on revaluation ₹ 66,000

2. What is the correct treatment entry of provision for damages?
   a) Revaluation A/c Dr 3,000
      To Provision for damages A/c 3,000
   b) Provision for damages A/c Dr 3,000
      To Revaluation A/c 3,000
   c) Liability A/c Dr 3,000
      To Revaluation A/c 3,000
   d) Liability A/c Dr 3,000
      To Provision for damages 3,000
3. What is the amount of stock will show in the new Balance Sheet?
   a) 2,68,000
   b) 2,64,000
   c) 2,60,000
   d) 2,72,000
4. What will be the new ratio?
   a) 3:7:4
   b) 7:21:3
   c) 1:1:1
   d) 21:7:4

CASE 11 DIRECTION: READ THE FOLLOWING CASE , ANSWER THE QUESTIONS FROM 1

	TO 4 ON THE BASIS OF THE SAME.

1. Chander and Moini are partners sharing profits in the ratio of 3 ; 2 Their Balance Sheet as at 31st March, 2018 is given below

Liabilities	Amount	Assets	Amount
	₹		₹
Chander's Capital	11,40,000	Land & Building	5,60,000
Mohini's Capital	7,00,000	Plant & Machinery	6,00,000
Workmen's		Stock	1,60,000
Compensation Reserve	60,000	Sundry Debtors 6,00,000	
Creditors	1,00.000	Less Provision 20,000	5,80,000
		Bank	1,00,000
			20,00,000
	20,00,000		=========
	=========		

They decide to admit Shikha as a new partner from 1st April,2018. Their new profit sharing ratio was 3:2:5. Shikha brought in ₹ 6,00,000 as her capital and her share of goodwill premium in cash.

(a) Shikha's share of goodwill premium was valued at ₹30,000.
(b) Plant and Machineruy was found under valued buy 20%.
(c) Creditors were unrecorded to the extent of ₹20,000
(d) Claim on account of workmen compensation was ₹40,000.
(e) Bad debts amounted to ₹30,000

1) What was loss/profit on revaluation and by how much amount?
(a) Loss ₹ 1,20,000 (b) profit ₹1,20,000
(c) Loss by ₹ 1,00,000(c) profit ₹ 1,00.,000

2) From whioch item did parnters benefited at time of revaluation of assets.
(a) Plant & Machinery (b) Land & Building (c) Stock (d) Sundry Debtors

3) What was the amount of Goodwill of the firm.
(a) ₹ 50,000 (b) ₹ 40,000 (c) ₹ 60,000 (d) ₹30,000

4) Workmen Compensation Reserve giiven in the balance sheet will be distributed among ----- partners in ------ ratio.
(a) New, New (b) old : New (c) Sacrificing : old (d) old : old

CASE 12

DIRECTION : READ THE FOLLOWING CASE STUDY AND ANSWER THE QUESTIONS 1 TO 4 ON THE BASIS OF THE SAME.

On 31st March, 2019 the Balance Sheet of Madan and Mohan who share profits and losses in the ratio of 3:2 was as follows:

Balance Sheet of Madan and Mohan as at 31st March, 2019

Liabilities		**Amount ₹**	**Assets**		**Amount ₹**
Creditors		28,000	Cash at Bank		10,000
General Reserve		10,000	Debtors	65,000	
Emplouyees Provident Fund		22,000	Less: Provison for		
Capitals			Doubful debts	5,000	60,000
Madan	60,000			---------	
Mohan	40,000	1,00,000	Stock		33,000
	-----------	------------	Patents		57,000
		1,60,000			**1,60,000**

They decided to admit Gopal on 1st April, 2019 for 1/5th share which Gopal acquired wholly from Mohan on the following terms :

(i) Gopal shall bring ₹ 10,000 as his share of premium for Goodwill.

(ii) A debtor whose dues of ₹ 3,000 were written off as bad debt paid ₹ 2,000 in full settlement.

(iii) A Claim of ₹ 5,000 on account of workmen's compensation was to be provided for.

(iv) Patents were undervalued by ₹ 2,000. Stock in the books was valued 10% more than its market value.

(v) Gopal was to bring in capital equal to 20% of the combined capitals of Madan and Mohan after all adjustments.

(1) What is Madan's Share of profit/loss on revaluation?

(a) profit ₹ 2,400 (b) ₹ 1,600 loss (c) loss ₹ 2,400 (d) profit ₹1,600

	2) What is the scarifying ratio of Madan and Mohan (a) 3:2 (b) 2:3 (c) 0:1 (d) 1:2 3) What is the cash balance available after the admission of Gopal (a) Rs,. 45,000 (b) ₹ 54,000 (c) ₹ 24,200 (d) ₹45,200 4) What is the closing capital of Mohan. (a) ₹63,600 (b) ₹52,400 (c) ₹ 23,200 (d) ₹ 51,000
CASE 13	DIRECTION Analyse the following case study and answer the questions 1 to 4 on the basis of the same. Ram and Laxman are partners in a firm with equal ratio.

Balance Sheet
As at 31st March, 2019

Liabilities		Amt(₹)	Assets	Amt (₹)
Creditors		2,00,000	Bank	80,000
Bills Payable		1,20,000	Debtors	1,20,000
General Reserve		80,000	Building	4,00,000
Capital A/c			Machinery	2,00,000
Ram	4,00,000		Investment	80,000
Laxman	2,00,000	6,00,000	Patents	40,000
			Furniture	40,000
			Goodwill	40,000
		10,00,000		10,00,000

Adjustments
- (i) Bharat comes for $1/5^{th}$ share and brings capital ₹ 2,00,000 and premium ₹ 40,000 out of ₹ 60,000.
- (ii) New ration 2:2:1.
- (iii) ₹ 20,000 included in creditors are not likely to be paid.
- (iv) Patents are valueless.
- (v) 10% provision for doubtful debts on debtors out of general reserve.

(1) What is the profit/loss of revaluation account ?
(a) Profit ₹ 60,000 (b) Loss ₹ 60,000 (c) Profit ₹ 20,000 (d) Loss ₹ 20,000

2. If the old ratio is equal and new ratio (between old partners) is also equal, then what would be the sacrificing ratio?
(a) 1:2 (b) 2:1 (c) 1:1 (d) Can't be determined

3. What was the total of bank account at the end of transactions?
(a) ₹ 3,40,000 (b) ₹ 3,20,000 (c) ₹ 2,80,000(d) Can't be determined

4. By how much amount was Laxman's capital credited on account of General Reserve ?

	(a) ₹ 80,000 (b) ₹ 68,000 (c) ₹ 40,000 (d) ₹ 34,000
CASE 14	DIRECTION: Analyses the following case study and answer the questions 1 to 4 the basis of the same. R and S are partners in a firm sharing profits in the ratio of 3:2 they admit T as new partner the new profit sharing ratio of R, S and T will be 5:5:3 T contributed the following assets towards his capital and for his share of Goodwill. Stock ₹ 1,67,000 debtors ₹1,40,000 (Less Provision for doubtful debts of 5%) and land ₹ 1,00,000 Plant & Machinery ₹1,80,000. On the date of admission of T, the Goodwill of the firm was valued at ₹13,00,000.
	1. What could be the purpose of admitting T in the firm? (a) Acquiring additional managerial skills (b) Procuring additional capital (c) Enhancing efficiency of operations (d) None of the above 2. What was the amount of capital brought in by T? (a) ₹ 5,80,000 (b) ₹ 3,00,000 (c) ₹ 2,85,000 (d) ₹ 2,80,000 3. What is the sacrificing ratio of R and S? (a) 2:3 (b) 3:2 (c) 1:1 (d) None of the above 4. What share of goodwill did R get? (a) ₹ 6,50,000 (b) ₹ 1,50,000 (c) ₹ 2,80,000 (d) None of these
CASE 15	DIRECTION Read the following case study and answer the questions. 1 to 4 on the basis of the same. U and V were partners sharing profits and losses in the proportion of 2:3 the following in the Balance Sheet of U and V on 31st March,2018

Balance Sheet
As at 31st March,2018

Liabilities		Amt(₹)	Assets	Amt (₹)
Bills Payable		10,000	Cash	10,000
Workmen Compensation			Debtors	15,000
Reserve		15,000	Bills receivable	15,000
General Reserve			Stock	10,000
Capital A/c		30,000	Fixtures	20,000
U	20,000		Premises	30,000
V	25,000	45,000		
		1,00,000		1,00,000

They admit Z for 1/5th share into partnership on 1st April, 2018, on the following terms.

(i) Z brings ₹ 30,000 as capital
(ii) Goodwill of the firm is valued on the basis of Z's share in profit and capital contributed by him.
(iii) The provision on debtors is to be created @5%.
(iv) Fixtures and stock are to be decreased by 10%.
(v) The value of premises be appreciated by 10%

	1. What was loss/profit on the revaluation and by how much amount? (a) Loss ₹ 1,500 (b) Loss ₹ 750 (c) Profit ₹ 1,500 (d) Profit ₹ 750 2.What was the amount of total capital of firm according to Z's share ? (a) ₹ 30,000 (b) ₹ 90,750 (c) ₹1,50,000 (d) ₹ 750 3.What was the amount of goodwill of the firm ? (a) ₹ 6,150 (b) ₹ 30,750 (c) ₹ 60,750 (d) Can't be determined 4.General reserve given in the balance sheet will be distributed among ……… partners in …….ratio. (a) new, new (b) old, old (c) old, sacrificing (d) old, new
CASE 16	DIRECTION read the following case study and answer the 1 to 4 questions on the basis of the same. Rachit and Madhur were partners in a firm sharing profits and losses in the ratio of 4 : 3. The following is the balance sheet of the firm as on 31st December, 2019.

Balance Sheet
As at 31st December,2019

Liabilities		Amt(₹)	Assets		Amt (₹)
Sundry Creditors		20,000	Cash		14,800
Bills Payable		3,000	Debtors	20,500	
Bank Overdraft		17,000	(-) Provision for		
Capital A/c s			Doubtful Debts	(300)	20,200
Rachit	70,000				
Madhur	60,000		Stock		20,000
		1,30,000	Plant		40,000
			Building		75,000
		1,70,000			1,70,000

They agreed to admit Rishant as a partner with effect from 1st January,2020 for 1/4th share in profits on the following terms.

(i) Rishant will bring to ₹ 47,183 as his capital.
(ii) Building is to be appreciated by ₹ 14,000 and plant to be depreciated by ₹7,000.
(iii) The provision on debtors is to be raised to ₹ 1,000
(iv) The goodwill of the firm has been valued to ₹ 21,000.

1. What will be the net amount of debtors in new balance sheet?
(a) ₹ 20,500 (b) ₹ 20,200 (c) ₹ 19,500 (d) ₹ 19,200

2. What is the profit /loss revaluation and by what amount?
(a) Profit ₹ 7,000 (b) Profit ₹ 6,300 (c) Loss ₹ 7,000 (d) Loss ₹ 6,300

3. What is the sacrificing ratio of Rachit and Madhur?
(a) 1:1 (b) 3:4 (c) 4:3 (d) Can't be determined

	4. In general Goodwill adjustment is done in accounts of old partners in ……….. ratio (a) old profit sharing (b) sacrificing ratio (c) both (a) and (b) (d) new profit sharing ratio
CASE 17	DIRECTION Analyze the following case study and answer the questions 1 to 4 on the basis of the same. Given below is the balance sheet of A and B who are partners in a firm sharing profits in the ratio of 3:2

Balance Sheet
as at 1st April, 2019

Liabilities		Amt(Rs)	Assets	Amt(Rs)
Sundry Creditors		3,00,000	Land and Buildings	4,00,000
Profit and Loss A/C		1,00,000	Plant and Machinery	3,00,000
Capital A/Cs			Stock	70,000
A	4,00,000		Debtors	1,80,000
B	2,00,000	6,00,000	Bank	50,000
		10,00,000		10,00,000

On the same date, C is admitted as a partner on the following terms.

(i) A gives 1/3rd of his share , while B gives 1/10 th from his share to C
(ii) Goodwill is valued at 2 years purchase of the average profits of the last 5 years, which were Rs 50,000(loss); Rs 1,20,000; Rs 10,000(loss); Rs 3,00,000 and Rs 3,40,000 respectively. C does not bring his share of goodwill in cash.

1. What was the sacrificing ratio of A and B?
(a)1:1 (b) 3:10 (c) 3:2 (d)2:1

2. What was the amount of firm's goodwill?
(a) Rs 84,000 (b) Rs 1,40,000 (c) Rs 1,64,000 (d) Rs 2,80,000

3. What was C's share of goodwill?
(a) Rs 84,000 (b) Rs 1,40,000 (c) Rs 1,64,000 (d) Rs 2,80,000

4. Name the account which will be debited for adjustment of goodwill.
(a)A's and B's capital a/c (b) C's capital a/c (c) cash account (d) premium and goodwill

CASE 18	DIRECTION Analyze the following case study and answer the questions 1 to 4 on the basis of the same.

	Rahul and Modi are two partners into a firm sharing profits equally . On 1st January , 2020, they decided to admit Vikas as a new partner into the firm for 1/5th share. Vikas brings Rs 10,00,000 for his share to capital and premium of goodwill in cash . Half goodwill is withdrew by the old partne₹ Goodwill of the firm is valued on the basis of one year purchase of profits or losses of preceding last 3 yea₹ Profits of last four years are Rs 6,00,000 in 2016; Rs 7,00,000 in 2017; Rs 8,00,000 in 2018 and Rs 15,00,000 in 2019.
	1. What was the value of goodwill of the firm? (a)Rs 7,00,000 (b) Rs 8,00,000 (c) Rs 9,00,000 (d) Rs 10,00,000 2. What was the amount of capital brought in by Vikas? (a) Rs 2,00,000 (b) Rs 8,00,000 (c) Rs 10,00,000 (d) Can't be determined 3. What was the goodwill share given to Modi? (a) Rs 1,00,000 (b) Rs 2,00,000 (c) Rs 4,00,000 (d) Can't be determined 4. Which account is debited when the goodwill is withdrawn by partners? (a) goodwill a/c (b) premium for goodwill a/c (c) partner's capital a/c (d) cash/bank a/c
CASE19	DIRECTION Sainath enterprises is a partnership business with Amar, Akbar and Anthony as partners engaged in the production and sales of home appliances. Their capital contributions were Rs 50,00,000, Rs 50,00,000 and Rs 80,00,000 respectively with the profit sharing ratio of 5:5:8. As they are now looking forward to expanding their business it was decided that they would bring in sufficient cash to double the respective capitals. This was duly followed by Amar and Akbar but due to unavoidable reasons Anthony could not do so and ultimately it was agreed that to bridge the shortfall in the required capital a new partner should be admitted who would bring in the amount that Anthony could not bring and that partner would get share of profits equal to half of Anthony's shares which would be sacrificed by Anthony only. Consequent to this agreement, Mahesh was admitted and he bought in the required capital and Rs 30,00,000 as premium for goodwill. Based on the above information you are required to answer the following questions:
	1. What will be the new profit sharing ratio of Amar, Akbar, Anthony and Mahesh? (a) 1:1:1:1 (b) 5:5:8:8 (c) 5:5:4:4 (d) None of the above 2. What is the amount of capital brought in by the new partner, Mahesh? (a) Rs 50,00,000 (b) Rs 80,00,000 (c) Rs 40,00,000 (d) Rs 30,00,000 3. What is the value of goodwill of the firm? (a) Rs 1,35,00,000 (b) Rs 30,00,000 (c) Rs 1,50,00,000 (d) Rs 1,00,00,000 4. What will be the correct journal entry for the distribution of premium for goodwill brought in by Mahesh? (a) Mahesh capital a/c Dr 30,00,000 (b) Premium for goodwill a/c Dr 30,00,000

	To Anthony's capital a/c 30,00,000 (Being ………………..) (c) Premium for goodwill a/c Dr 30,00,000 30,00,000 To Amar's capital a/c 10,00,000 To Akbar's capital a/c 10,00,000 To Mahesh's capital a/c 10,00,000 (Being ……………………) To Anthony's capital a/c 30,00,000 (Being ………………..) (d) Premium for goodwill a/c Dr To Amar's capitals a/c 8,33,333 To Akbar's capitals a/c 8,33,333 To Mahesh's capital a/c 13,33,333 (Being……………..)
CASE20	Amit and Mahesh were partners in a fast food corner sharing profits and losses in the ratio 3:2 .They sold fast food items across the continent and home delivery too.Their initial fixed capital contribution was Rs 1,20,000 and Rs 80,000 respectively. At the end of first year their profit was Rs 1,20,000 before allowing the remuneration of Rs 3,000 per quarter to Amit and Rs 2,000 per half year to Mahesh. Such a promising performance for the first year was encouraging, therefore, they decided to expand the area of operations. For this purpose they needed a delivery Van, a few bikes and an additional person to support. Six months into the accounting year, they decided to admit Sundaram as a new partner and offered him 20% as a share of profits along with monthly remuneration of rupees ₹ 2,500. Sundaram was asked to introduce ₹ 1,30,000 for capital and ₹70,000 for premium for Goodwill. Additionally, Sundaram was required to provide ₹ 1,00,000 as loan for two year Sundaram readily accepted the offer and the terms of the offer were duly executed and he was admitted as a partner.
	1. Remuneration will be transferred to _________ of Amit and Mahesh at the end of the accounting period (a) capital account (b) loan account (c) current account (d) none of the above 2. Upon the admission of Sundaram the sacrifice for providing his share of profits would be done: (a) by Amit only (b) by Mahesh only (c) by Amit and Mahesh equally (d) by Amit and Mahesh in the ratio of 3:2 3. Sundaram will be entitled to a remuneration of _______ at the end of the year (a) ₹ 15,000 (b) ₹ 20,000 (c) ₹ 40,000 (d) ₹ 30,000 4. While talking up the accounting procedure for the reconstitution the accountant of the firm Mr Suraj Marwaha faced a difficulty. Solve it by answering the following. For the amount of loan that Sundaram has agreed to provide he is entitled in the interest thereon at the rate of (a) 6% p.a (b) 7% p.a (c) 8% p.a (d) 9% p.a

ANSWERS								
CASE1	1	c	2	a	3	b	4	a
CASE2	1	b	2	c	3	d	4	b
CASE3	1	b	2	c	3	d	4	b
Case4	1	c	2	c	3	d	4	d
Case5	1	a	2	d	3	a	4	c
Case6	1	b	2	b	3	c	4	d
Case7	1	c	2	a	3	b	4	d
Case8	1	b	2	b	3	c	4	d
Case9	1	a	2	b	3	b	4	c
Case10	1	c	2	a	3	c	4	d
Case11	1	b	2	b	3	c	4	d
Case12	1	c	2	c	3	d	4	b
Case13	1	d	2	c	3	b	4	d
Case14	1	b	2	d	3	d	4	c
Case15	1	b	2	c	3	b	4	b
Case16	1	c	2	b	3	c	4	b
Case17	1	d	2	d	3	a	4	b
Case18	1	d	2	b	3	a	4	c
Case19	1	c	2	c	3	a	4	b
Case20	1	c	2	d	3	a	4	a

QNo	CASE STUDY QUESTIONS
	CHAPTER 4
	SHARE CAPITAL
Case1	**Read the following text. Based on the information given ,you are required to answer Q.No.1 to Q No.4:** Janta Ltd. had an authorized capital of 2,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription 1,00,000 shares. Applications were received for 97,000 shares. The amount was payable as follows on application was ₹ 2 per share, ₹ 4 was payable each on allotment and first and final call. Shankar, a shareholder holding 600 shares failed to pay the allotment money. His shares were forfeited. The company did not make the first and final call.
	1. Name the type of share capital which is shown in the Memorandum of Association of the company- (A) Issued capital (B) Subscribed Capital (C) Authorised Capital (D) Paid up capital
	2. The amount forfeited on forfeiture of Shankar's shares is --- (A) ₹6,000 (B)₹1,200 (C)₹3,600 (D)₹2,400
	3. Janta Ltd is--- (A)Private Company (B)Public Company (C)Government Company (D)Public Corporation
	4.When shares are forfeited, the Share Capital Account is debited with ____________ and the Share Forfeiture Account is credited with _____________.

	(A) Paid up capital of shares forfeited; Called up capital of shares forfeited (B) Called up capital of shares forfeited; Calls in arrear of shares forfeited (C) Called up capital of shares forfeited; Amount received on shares forfeited (D) Calls in arrears of shares forfeited; Amount received on shares forfeited
Case 2	**Read the following text. Based on the information given , you are required to answer Q.No.5 to Q No.8:** X Ltd. invited applications for issuing 80,000 equity shares of ₹ 10 each at a premium of 20%. The amount was payable as follows: On application ₹ 6 (including premium) per share. On allotment ₹ 3 per share and The balance on first and final call. Applications for 90,000 shares were received. Applications for 5,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Over payments received on application was adjusted towards sums due on allotment. All Calls were made and were duly received except the allotment and first and final call on 1,600 shares allotted to Vijay. These shares were forfeited and the forfeited shares were re-issued for ₹ 18,400 fully paid up.
	5. Name the kind of subscription in the above case. (A)Minimum subscription (B)Under subscription (C)Over subscription (D)Full subscription
	6. State the total overpayments received on application adjusted towards sums due on allotment- (A)₹60,000 (B) ₹30,000 (C) ₹15,000 (D) ₹50,000
	7. Number of shares applied by Vijay is- (A) 2000 (B) 1600 (C) 1800 (D) 1700

	8. How much is the share forfeited amount transferred to Capital Reserve? (A) ₹2,400 (B) ₹7,000 (C) ₹6,400 (D) ₹18,400
Case 3	**Read the following text. Based on the information given , you are required to answer Q.No.9 to Q No.12:** Jk Ltd invited applications for issuing 50,000 equity shares of ₹10 each at par. The amount was payable as follows: On Application: ₹2 per share ON Allotment: ₹4 per share On First and Final Call: Balance amount The issue was oversubscribed three times. Applications for 30% shares were rejected and money was refunded. Allotment was made to the remaining applicants as follows: Category I Applicants for 80,000 allotted 40,000 Category II Applicants for 25,000 allotted 10,000 Excess application paid by the applicants who were allotted shares adjusted towards the sums due on allotment. Deepak a shareholder belonging to category I who had applied for 1,000 shares failed to pay the allotment money. Raju a shareholder holding 100 shares also failed to pay the allotment money, belonged to the category II. Shares of both were forfeited immediately after allotment. Afterwards, First and final call was made and was duly received. The forfeited shares of Deepak and Raju were reissued at ₹11 per share fully paid up.
9	9. How many shares applied by public were rejected? (A) 50000 (B) 45000 (C) 55000 (D) 100000
	10. What is the amount unpaid by Deepak on allotment? (A)₹2000 (B)₹4,000 (C)₹500 (D)₹1,000
	11. Number of shares applied by Raju was- (A) 210 (B) 250

	(C) 300 (D) 150
	12. The total amount received on allotment was- (A)₹2,00,000 (B)₹90,000 (C) ₹88,900 (D) ₹85,600
Case 4	**Read the following text. Based on the information given , you are required to answer Q.No.13 to Q No.16:** Manvet Ltd. invited applications for issuing 10,00,000 equity shares of 10 each payable as follows : On application and allotment 4 per share (including premium 1) On first call 4 per share, On second and final call 3 per share. Applications for 15,00,000 shares were received and pro-rata allotment was made to all the applicants. Excess application money was adjusted on the sums due on calls. A shareholder who had applied for 6,000 shares did not pay the first, and the second and final call. His shares were forfeited. 90% of the forfeited shares were reissued at 8 per share fully paid up.
	13. The amount credited to Securities Premium Reserve is----- (A) ₹15,00,000 (B) ₹5,00,000 (C) ₹10,00,000 (D) ₹40,00,000
	14. The total amount of calls in arrear is ------------ (A)₹28,000 (B)₹20,000 (C)₹8,000 (D)₹42,000
	15. How many shares were reissued? (A) 4,000

	(B) 6,000 (C) 3,600 (D) 3,200
	16. The balance left in forfeiture account after reissue of shares is -------- (A)₹7,200 (B)₹20,000 (C)₹10,800 (D)₹2,000
Case 5	**Read the following text. Based on the information given , you are required to answer Q.No.17 to Q No.20:** Rohit Ltd. Invited applications for 30,000 equity shares of ₹100 each at a premium of ₹20 per share. The amount was payable as follows : On Application ₹40 (including ₹10 as premium) On Allotment ₹40 (including ₹10 as premium) On First call ₹20 On Second and Final call Rs,20 Applications for 40,000 shares received and pro-rata allotment was made on the applications for 35,000 shares. Excess application money is to be utilized towards allotment. Rohan to whom 600 shares were allotted failed to pay the allotment money and his shares were forfeited after allotment, Aman who applied for 1,050 shares failed to pay the first call and his shares were forfeited after first call. The second and final call was not yet made. Of the shares forfeited 1,000 shares were reissued as fully paid for ₹80 per share which included whole of Rohan's shares.
	17. Application money transferred to Share Capital A/c is------ (A)₹9,00,000 (B)₹12,00,000 (C)₹16,00,000 (D)₹3,00,000
	18. Excess application money utilized towards allotment is ----------

	(A) ₹4,00,000 (B) ₹2,00,000 (C) ₹1,50,000 (D) ₹1,00,000
	19. The amount debited to securities premium reserve account on forfeiture of Rohan's shares is -------- (A)₹12,000 (B)₹,7,000 (C)₹6,000 (D)₹3,00,000
	20. The amount transferred to Capital Reserve on reissue of is -------- (A)₹24000 (B)₹22,000 (C)₹10,000 (D)₹34000
Case 6	**Read the following text. Based on the information given , you are required to answer Q.No.21 to Q No.24:** Y Ltd. invited applications tor issuing 15.000 equity shares of ₹ 10 each on which ₹6 per share were called up which were payable as follows: On application ₹ 2 per shale On allotment ₹1 per share On first call ₹ 3 per share The Issue was fully subscribed and the amount was received as follows: On 10,000 shares ₹ 6 per share On 3,000 shares ₹ 3 per share On 2,000 shares ₹ 2 per share The directors forfeited those shares on which less than ₹6 per share received. The forfeited shares were reissued at ₹9 per share as ₹6 per share paid up.
	21. Amount received on allotment is ---- (A) ₹12,000 (B) ₹10,000

	(C) ₹ 15000 (D)₹13,000
	22. Amount Received on first call is ------ (A) ₹45,000 (B) ₹30,000 (C)₹39,000 (D) ₹36,000
	23. Number of shares forfeited is ----- (A) 2000 (B) 3000 (C) 5000 (D) 10000
	24. Amount credited to capital reserve on reissue of shares is ----- (A) ₹7,000 (B) ₹13,000 (C) ₹15,000 (D) ₹6,000
Case 7	**Read the following text. Based on the information given , you are required to answer Q.No.25 to Q No.28:** Khyati Ltd. issued a prospectus inviting applications for 80,000 equity shares of ₹10 each payable as follows: ₹2 on application ₹3 on allotment ₹2 on first call ₹3 on final call Applications were received for 1,20,000 equity shares. It was decided to adjust the excess amount received on account of over subscription till allotment only. Hence allotment was made as under: (i) To applicants for 20,000 shares – in full (ii) To applicants for 40,000 shares – 10,000 shares

	(iii) To applicants for 60,000 shares – 50,000 shares Allotment was made and all shareholders except Tammana, who had applied for 2,400 shares out of the group (iii), could not pay allotment money. Her shares were forfeited immediately, after allotment. Another shareholder Chaya , who was allotted 500 shares out of group (ii), failed to pay first call. 50% of Tamanna's shares were reissued to Satnaam as ₹ 7 paid up for payment of ₹ 9 per share.
	25. What is the amount of application money refunded? (A)₹30,000 (B) ₹80,000 (C) ₹60,000 (D) Nil
	26. What is the amount unpaid on allotment by Tammana? (A)₹7,200 (B)₹6,000 (C) ₹5,200 (D)₹800
	27. Which account is to be debited on forfeiture of Tammana's Shares? (A)Bank A/c (B)Calls in Arrear (C) Share capital A/c (D)Share Forfeiture A/c
	28. What is the amount due on first call debited to Share first Call A/c? (A)₹1,60,000 (B)₹1,56,000 (C)₹1,55,200 (D)₹1,55,000
Case 8	**Read the following text. Based on the information given , you are required to answer Q.No.29 to Q No.32:** X Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each. The amount was payable as follows: On Application: ₹ 2 per share

	On Allotment: ₹ 2 per share On First Call: ₹ 3 per share On Second and Final Call: Balance amount Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded. Shares were allotted to the remaining applicants on a pro-rata basis and excess money received with applications was transferred towards sums due on allotment and calls, if any. Gopal, who applied for 600 shares, paid his entire share money with application. Ghosh, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Sultan for ₹ 20,000; ₹ 4 per share paid up. The first call money and the second and final call money was called and duly received.
	29. Which account is debited when application money refunded? (A)Bank A/c (B)Share Capital A/c (C)Share allotment A/c (D)Share application A/c
	30. What is the amount of application money transferred to Calls in Advance (from Gopal)? (A)₹4,800 (B)₹4,000 (C)₹800 (D)₹6000
	31. For calls in advance adjusted ---- (A) Calls in arrear A/c is debited (B)Call in advance is debited (C)Calls in advance A/c is Credited (D)Bank a/c is debited
	32. After reissue of shares , for transfer of balance in Share forfeiture A/c --- (A) Bank a/c is Credited (B) Share forfeiture is credited (C) Capital Reserve A/c is credited (D)Capital Reserve A/c is debited
Case 9	**Read the following text. Based on the information given , you are required to answer**

	Q.No33 to Q No.36: Megha Ltd. invited applications for issuing 90,000 equity shares of ₹ 100 each at a premium of ₹ 60 per share. The amount was payable as follows: On Application – ₹ 30 per share (including premium ₹ 10) On Allotment – ₹ 70 per share (including premium ₹ 50) On First and Final Call – Balance amount Applications for 1,00,000 shares were received. Shares were allotted on pro-rata basis to all the applicants. Excess money received with application was adjusted towards sums due on allotment. Sudha, a shareholder holding 4,500 shares, failed to pay the allotment money. Her shares were forfeited immediately after allotment. Afterwards the first and final call was made. Rajat, a holder of 3,600 shares, failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were re-issued for ₹ 90 per share fully paid up.
	33. Amount of application money transferred to share allotment is --- (A) ₹9,00,000 (B) ₹30,00,000 (C) ₹3,00,000 (D) ₹2,00,000
	34. Amount of application money transferred to securities premium reserve is --- (A) ₹9,00,000 (B) ₹10,00,000 (C) ₹54,00000 (D) ₹60,00,000
	35. Amount debited to securities premium reserve debited on forfeiture of Sudha's shares is --- (A)₹2,70,000 (B) ₹2,25,000 (C) ₹45,000 (D) ₹3,00,000
	36. Amount due on first and final call is ---- (A) ₹54,00,000

	(B) ₹60,00,000 (C) ₹51,30,000 (D) ₹49,14,000
Case 10	**Read the following text. Based on the information given , you are required to answer Q.No.37 to Q No.40:** Sunstar Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 50 each. The amount was payable as follows : On Application – ₹ 15 per share On Allotment – ₹ 10 per share On First and Final Call – ₹ 25 per share Applications for 3,00,000 shares were received. Allotment was made to the applicants as follows : Category / No. of Shares Applied / No. of Shares Allotted I / 2,00,000 / 1,50,000 II / 1,00,000 / 50,000 Excess money received with applications was adjusted towards sums due on allotment and calls. Namita, a shareholder of Category I, holding 3,000 shares failed to pay the allotment money. Her shares were forfeited immediately after allotment. Manav, a shareholder of Category II, who had applied for 1,000 shares failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹ 60 per share fully paid up.
	37. Excess application money adjusted towards allotment is (A) ₹5,00,000 (B) ₹7,50,000 (C) ₹12,50,000 (D) ₹15,00,000
	38. Amount unpaid by Namita on allotment is ---- (A) ₹3,000 (B) ₹15,000 (C) ₹30,000 (D)₹60,000
	39.Forfeited Shares were reissued at

	(A) par (B) discount (C) premium (D) loss
	40. No of shares reissued is ---- (A)3000 (B)1000 (C)4000 (D)3500
CASE 11	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.41 to Q No.44:** Raghuram Limited company has an Authorized capital of 1, 00,000 shares of ₹10 each as per the Capital clause of the Memorandum of Association of the company. The company issued 5,000 shares to the promoters of the company in consideration for their services. The company further issued 10,000 shares to the vendors for the purchase of Machinery costing ₹1, 20,000. The remaining shares are issued at ₹10 each at a premium of ₹2 and shares are fully subscribed. A shareholder holding 500 shares failed to pay the first and final call. His shares were forfeited and later on re issued at ₹8 per share fully paid up.
	41. Which one of the following is the registered capital of the company? a. Paid up capital b. Uncalled capital c. Authorized capital **d.** Issued capital
	42. The company issued ₹1,00,000 worth of shares towards the purchase price of machinery costing ₹90,000. The excess of ₹20000 is transferred to a. Share capital a/c b. Capital reserve a/c c. Securities premium reserve a/c **d.** Cash a/c
	43. What entry you will pass if asset is purchased and shares are issued at premium. a. Vendor a/c Dr To share capital b. Assets a/c Dr To share capital To share premium c. Vendor a/c Dr share premium a/c Dr To Share capital d. Vendor a/c Dr To share capital To share premium

	44. If Shares are issued to promoters for their services then the account debited will be a. Goodwill a/c b. Promoters a/c c. Asset a/c **d.** Expenses a/c
CASE 12	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.45 to Q No.48** A company issued 25,000 equity shares of ₹10 each at a premium of ₹3 per share payable as follows: On Application ₹2 On Allotment ₹5(including premium) On First call ₹1 Balance on final call The company received ₹ 1,00,000 towards application money. Of which 10000 applications are rejected and the remaining applications are adjusted towards allotment. A shareholder holding 3000 shares paid the first call and final call along with allotment money.
	45. How many applications are received by the company? a. 25,000 b. 50,000 c. 75,000 d. 1,00,000
	46. How much application money is adjusted towards allotment? a. 30,000 b. 40,000 c. 15,000 d. 10,000
	47. After allotment how much net allotment money is received by the company? a. 1,13,000**.** b. 1,25,000 c. 1,40,000 d. 95,000
	48. What journal entry you will pass for excess application rejected? a. Share application a/c Dr to Bank b. Share application a/c Dr to Share allotment c. Share application a/c Dr to Share capital d. Share application a/cDr to Share first call

CASE :13	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.49 to Q No.52** Mr. Ramesh worked as a Lower division clerk in a state government office in the state of Telangana. He is very much interested in investing his savings in shares of limited companies. He applied for 300 shares from Reliance Industries ltd. He was allotted all shares. Due to some financial constraints he failed to pay the allotment money of ₹5(including premium of ₹2) and first and final call of ₹3. The company after giving due notices, forfeited all the shares of Rs10 each issued at a premium of ₹2. 1/3rd of the forfeited shares were reissued at 11 per share fully paid up to Mr. Ram
	49. The total amount debited to share capital account while forfeiting the shares is a. ₹2,500 b. ₹3,000 c. ₹4,000 d. ₹5,000
	50. What entry will you pass to transfer forfeiture a/c to Capital reserve? a. Share forfeiture a/cDr 400 To Capital reserve a/c 400 b. Share forfeiture a/f Dr 450 To Capital reserve a/c450 c. Share forfeiture a/c Dr 600 To Capital reserve a/c 600 d. Share forfeiture a/c Dr 360 To Capital reserve a/c 360
	51. How much amount is received on reissue of forfeited shares? a. ₹3,000 b. ₹3,300 c. ₹3,600 d. ₹1,100
	52. How much amount is shown in the Balance sheet under share forfeiture account? a. ₹800 b. ₹880 c. ₹400 d. ₹650
CASE : 14	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No53 to Q No.56** A MBA graduate from IIT Kharagpur instead of going to America and Canada decided to become an entrepreneur in India and decided to start a Public Limited Company in the city of Kolkota. After preparing the Memorandum of Association for the company he got the permission from the Comptroller of Capital Issues to issue 1,00,000 Equity shares of ₹10 each at a premium of ₹2. The pubic subscribed for 95000 applications. The company decided to allot the shares on 1-4-2021. The company made all the calls and all the money is received except on

	2000 shares which are forfeited and later on reissued at ₹9 per share fully paid up.
	53. Minimum subscription amount of 90% is related to which share capital. a. Authorised capital b. Issued capital c. Paid up capital d. Reserve capital
	54. As per SEBI guidelines, Application money should not be less than ……. Of the issue price of each share a. 10% of the issue price b. 15% of the issue price c. 25% of the issue price d. 50% of the issue price
	55. Which clause in the Memorandum of Association states about Authorized capital of the company? a. Name clause b. Object clause c. Capital clause d. Association clause
	56. If the shares are forfeited how much money should be returned to the defaulting shareholders? a. Nothing b. All calls paid c. Only application money d. Application and allotment money.
CASE : 15	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.57 to Q No60** Soon after incorporation of Arvind Ltd. decided to issue 80,000 equity shares of ₹10 each at a premium of ₹5 per share. Instead of collecting all the capital in the form of cash/bank they have decided to go for the purchase of assets in return pay them in the form of issue of shares. They approached a businessman who sells machinery which is very must useful in production of that material. The company purchased Machinery worth ₹5,50,000 and in return they issued equity shares of ₹10 each at a premium of 10%. Further they issued shares to the public for subscription. The issue is oversubscribed to the extent of 10%. To the surprise one shareholder who got 1000 shares paid all the money due on allotment ₹3 and call money ₹2 along with allotment money.
	57. Select the type of allotment of shares made to the company against the purchase of Machinery. a. Issue against consideration other than cash b. Initial public offer

	c. Issue for cash d. Preferential allotment.
	58. If the shares are issued at premium of 10% against the purchase of an asset, then how many shares are issued? a. 45,000 shares b. 55,000 shares c. 45,000 shares d. 50,000 shares
	59. Which option is not available to adjust the excess applications received on issue of equity shares? a. Excess applications can be rejected b. Excess applications can be adjusted towards allotment. c. Excess applications can be partly rejected and partly adjusted towards allotment. d. Excess applications can be allotted with preference shares
	60. How much amount is received as calls in advance? a. ₹5000 b. ₹3000 c. ₹2000 d. ₹1000
CASE:16	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.61 to Q No.64** Ravi Industries Ltd. A company in the manufacture of computers decided to issue for public subscription 40000 equity shares of ₹10 each at a premium of ₹2 payable as : On Application –₹2 per share On Allotment _ ₹ 5 per share(including premium) On first call _ ₹2 per share On Second and final call _ ₹3 per share, Applications were received for 60000 shares. Allotment was made on pro rata basis to the applicants for 48000 shares, the remaining applications being refused. Money overpaid on applications was utilized towards sum due on allotment. Ram applied for 2400 shares failed to pay the allotment money due and shyam to whom 2000 shares were allotted filed to pay the two calls. These shares were subsequently forfeited after the second and final call was made. All the forfeited shares were reissued as fully paid at ₹8 per share.
	61. The excess applications and application money adjusted towards allotment is : a. 8000, ₹16000 b. 12000,₹24000 c. 20000,₹40000 d. 16000,₹32000
	62. How many applications are rejected and how much money is returned?

	a. 12000, ₹24000 b. 8000,₹16000 c. 20000,₹40000 d. 16000,₹32000
	63. How many shares are allotted to Ram? a. 2000 shares b. 2400 shares c. 600 shares d. 1800 shares
	64. The total forfeiture amount before reissue of forfeited shares is: a. ₹14800 b. ₹18400 c. ₹16400 d. ₹14600
CASE:17	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.65 to Q No.68** Ambala Ltd. Was registered with an authorized capital of ₹2,00,000 in ₹10 per equity share, of these 6000 equity shares of ₹10 each issued as fully paid to the vendor for purchase of building, at a premium of ₹2 per share. 8000 equity shares were issued for subscription and during the first year ₹5 per equity share were called-up, payable ₹2 on application, ₹1 on allotment, Rs,1 on first call and ₹1 on final call. The amount received in respect of these shares was: On 6000 Equity shares the full amount was received. On 1250 shares ₹4 per Equity share, On 500 shares ₹3 per Equity share, On250 shares ₹2 per Equity share The company forfeited 750 equity shares on which less than ₹4 per share has been paid.
	65. What is the price of the building purchased against issue of equity shares? a. ₹72000 b. ₹60000 c. ₹75000 d. ₹66000
	66. How many shares are not still issued by the company? a. 6000 b. 5000 c. 7000 d. 10000

	e.
	67. How many shareholders did not pay the first call and final call money only? a. 750 b. 2000 c. 1250 d. 500
	68. On forfeiture how much money is credited to share forfeiture account? a. ₹2000 b. ₹250 c. ₹500 d. ₹750
CASE 18	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTION** **Based on the information given , you are required to answer Q.No69 to Q No72** Raman a shareholder who works in a Maruti Udyog Ltd. Which is a pioneer in manufacturing small cars got an invitation from the company to buy shares issued by the company under the Employees Stock Option Plan. At first he is not interested in buying the shares but after compulsion from his friends he exercised his option to buy shares from the company. Afterwards he came to know this type of issue can be made to the promoters of the company for the services rendered by them to the company. He purchased 200 shares of ₹10 each at a premium of ₹25 whereas the current market value of the share is ₹150.
	69. The shares issued to the employees of the company are called as a. ESOP b. IPO c. Preferential allotment d. Public issue
	70. What type of shares can be issued under ESOP? a. It should of the same class of shares already issued b. It should be a new issue of shares c. It should be of preference shares only **d.** It can of any type of shares.
	71. The value of option is : a. The issue price of the shares b. The market price of the shares c. The difference between market price and issue price of the share d. The face or par value of the shares
	72. What name is given for the shares issued to the promoters of the company as remuneration for incorporation of the company? a. Sweat Equity

	b. Salary shares c. Remuneration shares **d.** Normal issue of shares
CASE:19	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No73 to Q 76** Nitro Paints Ltd. Invited applications for issuing 1,60,000 equity shares of ₹10 each at a premium of ₹3 per share. The amount payable as follows: On Application ₹6 per share (including premium ₹1) On Allotment ₹3 per share (including premium ₹1); The Balance on First and Final call. Applications for 1,80,000 shares were received. Applications for 10,000 shares were rejected and pro rata allotment was made to the remaining applications. Over payment received on application was adjusted towards sum due on allotment and calls. All calls were made and duly received except allotment and final call from Aditya who was allotted 3200 shares. His shares were forfeited. Half of the forfeited shares were reissued for ₹43000 as fully paid up.
	73. How many shares were applied by Aditya to get 3200 shares allotted? a. 3400 b. 4300 c. 2300 d. 3400
	74. How much allotment money is in arrears on Aditya's default? a. ₹8400 b. ₹4800 c. ₹6400 d. ₹4600
	75. What amount of the forfeited shares is transferred to capital reserve? a. ₹8600 b. ₹6800 c. ₹7800 d. ₹8700
	76. Mention the total amount of premium to be shown in the Balance sheet? a. ₹500600 b. ₹600500 c. ₹650500 d. ₹560600

CASE”20	**READ THE FOLLOWING TEXT AND ANSWER THE QUESTIONS:** **Based on the information given , you are required to answer Q.No.77 to Q 80** Max Ltd., invited applications for2,00,000 Equity shares of ₹10 each to be issued at 20% premium. The money payable per share was: On Application ₹5,on allotment ₹4(including premium of ₹2) , First call ₹2 and Final call ₹1.Applications were received for 2,40,000 shares and allotment was made as: i. To applicants for 1,00,000 shares in FULL ii. To applicants for 80,000 shares –60,000 shares, iii. To applicants for 60,000 shares—40,000 shares. Applications of 1000 shares falling in category (i) and applicants of 1200 shares falling in category (ii) failed to pay allotment money. These shares were forfeited on failure to pay the first call. Holders of 1200 shares failing in category (iii) failed to pay the first and final call and these shares were forfeited after final call. 1300 shares (1000 of category (i) and 300 of category(ii) were reissued at ₹8 per share as fully paid up.
	77. How much is the total forfeited money on all categories of shares? a. ₹19,400 b. ₹11,000 c. ₹8,400 d. ₹20,000
	78. Mention the paid up capital of the company after all the calls is made. a. ₹19,94,400 b. ₹19,00,000 c. ₹20,00,000 d. ₹20,94,400
	79. How much balance is shown in the balance sheet under the head shareholders funds? a. ₹23,95,000 b. ₹24,95,000 c. ₹25,95,000 d. ₹2,95,000
	80. The journal entry for allotment money received is: a. Bank a/c Dr 5,93,900 To Share allotment a/c 5,93,900 b. Bank a/c Dr6,00,000 To share allotment a/c 6,00,000 c. Bank a/c Dr5,95,000 To Share allotment a/c 5,95,000 d. Bank a/c Dr6,05,000 To share allotment a/c 6,05,000

ANSWERS

Case1	1	C	2	B	3	B	4	C
Case2	5	C	6	B	7	D	8	B
Case3	9	B	10	D	11	B	12	C
Case4	13	C	14	B	15	C	16	D
Case5	17	A	18	B	19	C	20	D
Case6	21	D	22	C	23	C	24	B
Case7	25	A	26	C	27	C	28	B
Case8	29	D	30	B	31	B	32	C
Case9	33	C	34	A	35	B	36	C
Case10	37	C	38	B	39	C	40	D
Case11	41	C	42	C	43	D	44	A
Case12	45	B	46	A	47	A	48	A
Case13	49	B	50	A	51	D	52	A
Case14	53	B	54	C	55	C	56	A
Case15	57	A	58	D	59	D	60	A
Case16	61	A	62	A	63	A	64	A
Case17	65	A	66	A	67	A	68	A
Case18	69	A	70	A	71	C	72	A
Case19	73	A	74	A	75	A	76	A
Case20	77	A	78	A	79	A	80	A

	MCQ BASED QUESTIONS ON CASE STUDIES	
	CHAPTER 5 -	
	FINANCIAL STATEMENTS OF A COMPANY	
CASE 1		
	Read the hypothetical text and answer the following questions . Dinakar Ltd was incorporated on 1st April 2015 with an authorised capital of ₹ 50,00,00,000 divided into equity shares of ₹ 100 each. The company was in need of large funds to invest in Plant & Machinery, it invited applications for 4,00,000 shares, applications for 3,80,000 shares were received. All calls were made and duly received except for 5000 shares on which the final call of ₹ 20 was not received. The company forfeited 200 shares on which final call was not received.	
1.	The minimum subscription on this issue of shares is a) 3,60,000 shares b) ₹3,60,000 c) 4,00,000 shares d) ₹4,00,000	
2.	The shareholders' funds to be shown in the face of Balance sheet will be a) ₹3,80,00,000 b) ₹3,79,00,000 c) ₹50,00,00,000 d) ₹4,00,00,000	
3	The authorized capital of Dinkar Ltd will be shown in----------------------- a) Articles of Association b) Prospectus c) Memorandum of Association d) Table F of Companies Act 2013.	
4	How will you show the Calls in arrears in the Balance sheet of a company? a) As a deduction from Called up capital in the Notes to Accounts to Share capital b) As a deduction from Shareholders' funds in the Balance sheet c) As a deduction from the Reserves & Surplus d) As a deduction from the Sundry creditor	
CASE2		
	Amba Ltd is a leading consumer goods chain with a network of 46 stores primarly across Mumbai, Delhi and Pune.The balance sheet of the company as on March 31, 2020 gives you the following Information: 8% Debentures 10,00,00,000 Equity share capital 50,00,00,000 Securities premium 2,00,000	

	Preliminary expenses 4,00,000 Statement of Profit & Loss (cr.) 1,50,000 Loose tools 2,00,000 Bank balance 6,00,000 Cash in hand 38,000 Answer the following questions based on the above information:	
1.	The Reserves & surplus of the Company to be shown in the Balance sheet is a) ₹(50,000) b) ₹2,00,000 c) ₹1,50,000 d) ₹4,00,000	
2	Loose tools will be shown under the heading------------------------------- a) Noncurrent assets b) Current assets c) Inventories d) Intangible assets	
3	Cash & Cash equivalents of the company is------------------- a) ₹6,00,000 b)₹38,000 c) ₹6,38,000 d) ₹5,62,000	
4	Long term borrowings of the company is a) ₹10,00,00,000 b) ₹50,00,00,000 c) ₹4,00,000 d) ₹1,50,000	
CASE3		
	Read the following Arun is appointed as Accountant in a leading company manufacturing consumer products. For all these years he served as an accountant in a partnership firm. He come across a company's Balance sheet and he find to it difficult to understand which item will come in the balance sheet under major head and sub head. He took the format of a balance sheet as per schedule III of the companies Act 2013. He come across some items. You are required to inform him the major heads and sub heads to enter the items in the company's balance sheet. Answer the following questions.	
1.	The Long term borrowings of the company will appear under the major head ----------------------- a) **Non -current liabilities** b) current liabilities c) shareholders' funds	

	d)other non-current liabilities	
2	The debentures will appear under sub head ------------------------------ a) **long term borrowings** b) long term provisions c) other long term liabilities d) deferred tax liabilities	
3	Goodwill will appear under the sub head____________________ **a) Intangible assets** b) Tangible assets c) Fixed assets d) Noncurrent assets	
4	Current investments will come under the major head________________ a)**current assets** b) fixed assets c) tangible assets d) intangible assets	
CASE4		
	Best Bulbs Pvt. Ltd was manufacturing good quality LED bulbs and catering the needs of local market. The current production of the company is 800 bulbs per day. Sumit, the Marketing manager of the company gives you the following information: The operating cycle of the company is 12 months and Trade Receivables expected to realize within 18 months. Public Deposits ₹10,00,00,000 12% Debentures repayable after 4 years- 10,00,00,000 Interest accrued and due on 12% Debentures- ₹30,00,000 Employee Provident fund payable-₹20,00,000 Premium payable on Redemption of Debentures-₹10,00,000 Proposed dividend –₹25,00,00,000 Computer software-₹35,00,00,000 Stores and spares-₹5,00,000 Answer the following	
1	Operating cycle means------------------------- a) The time between two balance sheet dates b) The time between the acquisition of an asset and obsolescence c) The time between the acquisition of an asset for processing and its realization in to cash & cash equivalents. d) The time between the disposal of an asset and the realization of its value	
2	**Premium payable on Redemption of Debentures-₹10,00,000** will be shown under which main head and subhead of the Balance sheet?	

	a) | Item | Main head | Sub head | | Premium payable on Redemption of Debentures-₹10,00,000 | Non-current assets | Other current assets | b) | Item | Main head | Sub head | | Premium payable on Redemption of Debentures-₹10,00,000 | Noncurrent liability | Other long term liabilities | c) | Item | Main head | Sub head | | Premium payable on Redemption of Debentures-₹10,00,000 | Share holders' funds | Reserves & Surplus | d) | Item | Main head | Sub head | | Premium payable on Redemption of Debentures-₹10,00,000 | Current liabilities | Other current liabilities |	
3	Identify the main head and subhead of the Balance sheet under which **Computer software-₹35,00,00,000** will be shown a) | Item | Main head | Sub head | | Computer software-₹35,00,00,000 | Noncurrent assets | Fixed assets-Intangible | b) | Item | Main head | Sub head | | Computer software-₹35,00,00,000 | Noncurrent assets | Fixed assets-Tangible | c) | Item | Main head | Sub head | | Computer software-₹35,00,00,000 | Noncurrent assets | Other Noncurrent assets | d) | Item | Main head | Sub head | | Computer software-₹35,00,00,000 | Noncurrent Assets | Noncurrent investments |	
4	**Interest accrued and due on 12% Debentures- ₹30,00,000** will be shown under which Main head and subhead of the Balance sheet? a) | Item | Main head | Sub head | | Interest accrued and due on 12% Debentures-₹30,00,000 | Current liabilities | Other current liabilities |	

	b)	

Item	Main head	Sub head
Interest accrued and due on 12% Debentures- ₹30,00,000	Current liabilities	Short term provisions

c)

Item	Main head	Sub head
Interest accrued and due on 12% Debentures- ₹30,00,000	Current liabilities	Trade payables

d)

Item	Main head	Sub head
Interest accrued and due on 12% Debentures- ₹30,00,000	Current liabilities	Short term borrowings

CASE5

Moon India Ltd produces and distributes green energy in the backward areas of India. It has also taken up a project of giving vocational training to girls belonging to backward areas of Rajasthan. The company presents you the following statement of Profit & Loss for the year ended 31st March 2021.

Particulars	Note No	Amount (31st March 2021
Revenue from Operation		50,00,000
Other Income		2,00,000
Employee benefit Expenses		60% of total revenue
Other Expenses		10% of employee benefit expenses
Tax rate		50%

On the basis of above information, Answer the following questions

1. The total revenue of the company is
a) ₹52,00,000
b) ₹50,00,000
c) ₹2,00,000
d) ₹26,00,000

2 Employee benefit expenses of the company is
a) ₹31,20,000
b) ₹30,00,000
c) ₹1,20,000
d) ₹15,60,000

3 Profit before tax of the company is
a) ₹34,32,000
b) ₹30,00,000

	c) ₹17,68,000 d) ₹26,00,000	
4	Total expenses of the company is a) ₹31,20,000 b) ₹3,12,000 c) ₹15,60,000 d) ₹34,32,000	
CASE6		
	Read the text given below: Financial statements are the basic sources of information to the shareholders and other external parties for understanding the profitability and financial position of any business concern. They provide information about the results of the business concern during a specified period of time in terms of assets and liabilities, which provide the basis for taking decisions. Thus, the primary objective of financial statements is to assist the users in their decision-making. Financial statements provide the necessary information about the performance of the management to those parties interested in the organisation and help in taking appropriate economic decisions. It may be noted that the financial statements constitute an integral part of the annual report of the company in addition to the directors report, auditors report, corporate governance report, and management discussion and analysis. Though utmost care is taken in the preparation of the financial statements and provide detailed information to the users, they are not free from limitations. Answer the following questions:	
1.	The interested parties of accounting information include a) Share holders b) Government c) Prospective investors d) All the above	
2	The primary objective of financial statements is to assist the users in their decision-making. The other objective of financial statements is a) To abide by the Laws of the country b) To follow the Accounting standards c) To provide the information about the earning capacity of business. d) To learn the nature, objectives and types of financial statements it has to prepare including their contents, format, uses etc	
3	The major limitations of financial statements are a) Aids trade associations in helping their members b) Guide to the value of the investment already made: c) Do not reflect current situation d) Report on stewardship function	

4	Internal users of financial statements constitute a) Owners b) Employees c) Investors d) Government and tax authorities	
CASE7		
	Read the following text: The American Institute of Certified Public Accountants states the nature of financial statements as, “the statements prepared for the purpose of presenting a periodical review of report on progress by the management and deal with the status of investment in the business and the results achieved during the period under review. They reflect a combination of recorded facts, accounting principles and personal judgements”. Thus, financial statements are the summarized reports of recorded facts and are prepared the following accounting concepts, conventions, postulates, accounting policies, accounting standards and requirements of Law. Based on the above, answer the following questions:	
1	While, preparing statement of profit and loss the revenue is included in the sales of the year in which the sale was undertaken even though the sale price may be received over a number of yea₹ This is based on which postulates of accounting? a) Going concern concept b) Realisation c)Money measurement d) Materiality	
2	Small items like pencils, pens, postage stamps, etc.are named as stationery and are treated as expenditure in the year in which they are purchased even though they are assets in nature. This is based on the principle of a) Going concern concept b) Realisation c)Money measurement d) Materiality	
3	Every company registered under The Companies Act 2013 shall prepare its balance sheet, statement of profit and loss and notes to account thereto in accordance with the manner prescribed by Companies Act, 2013 to harmonise the disclosure requirement with the accounting standards and to converge with new reforms as per a) Schedule VI, Part I& II of Companies Act 2013 b) Schedule III, Part I &IIof Companies Act 2013 c) The provisions of Memorandum of Association b) As per Table F of Companies Act 2013.	
4	Balance sheet and Statement of Profit & Loss are supported by Notes to Accounts.	

What do toy mean by Notes to Accounts?
a) Details of items given in the Balance sheet and Statement of Profit & Loss
b) Abstract of Memorandum of Association of a company
c) Provisions of Table F of Companies Act 2013
d) Provisions of Companies Act 2013

CASE8

Read the following hypothetical extract of the Balance sheet of Ramnath Ltd and answer the questions given below

Balance sheet as per Schedule III Part I of Companies Act 2013

Particulars	Note No	Amount(Rs) 2020-21	Amount(Rs) 2019-20
I. Equity & Liabilities			
(1) Share holders'funds			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves & Surplus		3,00,000	2,00,000
(2) Noncurrent liabilities			
Long term borrowings		2,40,000	1,70,000
(3) Current Liabilities			
(a) Trade payables		1,79,000	2,04,000
(b) Short- term provisions		50,000	77,000
Total		19,69,000	17,51,000
II Assets			
(1) Noncurrent Assets			
(a) Fixed Assets			
(i) Tangible		10,70,000	8,50,000
(ii) Intangible		40,000	1,12,000
(2) Current Assets			
(a) Current Investments		2,40,000	1,50,000
(b) Inventories		1,29,000	1,21,000
(c) Trade Receivables		1,70,000	1,43,000
(d) Cash & Cash equivalents		3,20,000	3,75,000
Total		19,69,000	17,51,000

1 Reserves & Surplus does not include
a) Capital Reserve
b) Capital Redemption Reserve
c) Reserve Capital
d) Revaluation Reserve

2 Which of the following does not constitute Current liabilities as the operating cycle of the company is 12 months
a) Trade payables expected to repay within 12 months
b) Trade payables expected to repay after 24 months
c) Trade payables expected to repay within 3 months
d) Trade payables expected to repay within 6 months

3	Short term provisions include a) Provision for Tax & Proposed dividend b) Proposed dividend Provision for Depreciation c) Provision for Tax & Provision for Depreciation d) Sundry creditors & Proposed dividend	
4	Example for Intangible asset is a) Furniture b) Mastheads & Publishing titles c) Investments in other companies d) Public deposits	
CASE9		
	Ramnath Ltd is dealing in import ofnorganic food items in bulk. The company sells the items in smaller quantities in attractive packages. Performance of the company has been up to the expectations in the past. Keeping up with the latest packaging technology, the company decided to upgrade its machinery. For this , the finance manager of the company was asked to present the financial statements . He furnished the following particulars before you. Capital advances ₹25,00,000 Capital work in progress ₹1,50,00,000 Bank overdraft ₹56,00,000 Unclaimed dividend ₹35,000 Outstanding salary ₹40,000 Trade payables ₹48,000 Computer software ₹50,00,000 Cheques in hand ₹48,000 General Reserve ₹38,00,000 Public deposits ₹80,00,000 Patents ₹38,00,000 Answer the following questions.	
1	Under which major heading and sub heading will **Capital advances** be presented in the Balance sheet of the company as per Schedule III Part I of Companies Act 2013 a) Noncurrent asset –Long term loans & advances b) Noncurrent asset- fixed asset (Tangible) c) Noncurrent asset-long term borrowings d) Noncurrent asset- Fixed asset (Intangible)	
2	Under which major heading and sub heading will **Unclaimed dividend** be presented in the Balance sheet of the company as per Schedule III Part I of Companies Act 2013 a) Current liabilities- Short term provisions b) Current liabilities- Short term borrowings c) Current liabilities- Other Current liabilities d) Current liabilities- Trade payables	

3 Under which major heading and sub heading will **Cheques in hand** be presented in the Balance sheet of the company as per Schedule III Part I of Companies Act 2013

a) Current Assets- Other current assets
b) Current assets- Cash & Cash equivalents
c) Current Assets- Inventories
d) Current Assets- Current investments

4 Under which major heading and sub heading will **Public deposits** be presented in the Balance sheet of the company as per Schedule III Part I of Companies Act 2013

a) Noncurrent liabilities- Long term borrowings
b) Noncurrent assets- Noncurrent investments
c) Noncurrent liabilities- Long term provisions
d) Noncurrent Liabilities- Other noncurrent liabilities

CASE10

Pharma Ltd is engaged in the manufacturing of low cost generic medicines. Its management and employees are hardworking and motivated. The net profit of the company increased during the year ended 31st March 2020. Encouraged by its performance, the company decided to pay bonus to all employees at a higher rate.

Following is the Statement of Profit & Loss for the year ended 31st March 2020

Statement of Profit & Loss for the year ended 31st March 2020

Particulars	Note no	31st March 2020	31st March 2019
Revenue from operation		30,00,000	20,00,000
Less: Employee benefit expenses		(10,00,000)	12,00,000
Finance cost		(4,00,000)	------------
Profit Before Tax		16,00,000	8,00,000
Tax@25%		4,00,000	2,00,000
Profit after Tax		12,00,000	6,00,000

Answer the following questions

1 Under which head the Profit on sale of asset will be shown in the Statement of Profit & Loss as per Companies Act 2013?

a) Revenue from Operation
b) Other income
c) Finance cost
d) Other expenses

2 Employee Benefit expenses does not include which of the following/

a) Wages
b) Conveyance expenses
c) Salaries
d) Bonus

3	Finance cost includes which of the following? a) Discount on issue of debentures & premium payable on redemption of debentures b) Interest received on fixed deposits c) Bank charges d) Repayment of loan	
4	Under which schedule of Companies Act 2013, the Statement of Profit & Loss is prepared? a) Schedule III Part I Of Companies Act 2013 b) Schedule VI of Companies Act 2013 c) Schedule III Part II of Companies Act 2013 d) Section 52 of Companies Act 2013.	

ANSWER KEY							
Case 1							
1.	**a**	**2**	**b**	**3**	**c**	**4**	**a**
Case 2							
1	**a**	**2**	**c**	**3**	**c**	**4**	**a**
Case 3							
1	**a**	**2**	**a**	**3**	**a**	**4**	**a**
Case 4							
1	**c**	**2**	**b**	**3**	**a**	**4**	**a**
Case 5							
1	**a**	**2**	**a**	**3**	**c**	**4**	**d**
Case6							
1	**d**	**2**	**c**	**3**	**c**	**4**	**b**
Case 7							
1	**b**	**2**	**d**	**3**	**b**	**4**	**a**
Case 8							
1	**c**	**2**	**b**	**3**	**a**	**4**	**b**
Case 9							
1	**a**	**2**	**c**	**3**	**b**	**4**	**a**
Case 10							
1	**b**	**2**	**b**	**3**	**a**	**4**	**c**

CASE STUDY BASED QUESTIONS

CHAPTER 6

CASE 1

RATIO ANALYSIS

Read the following and answer the questions give below

Particulars	31 Mar 2020 (₹)	31 Mar 2021 (₹)
I. Revenue from Operations	32,00,000	40,00,000
II. **Expenses**		
a) Employees benefit expenses	16,00,000	20,00,000
b) Depreciation & Amortisation expenses	40,000	50,000
c) Other expenses	3,60,000	1,50,000
Total Expenses	20,00,000	22,00,000
III. **Profit before tax (I – II)**	12,00,000	18,00,000
Less Tax @ 30%	3,60,000	5,40,000
IV. **Profit after Tax**	8,40,000	12,60,000

Answer the following questions

1 Operating Ratio for the year 31st March 2021 is

i) 55%
ii) 52%
iii) 55.05%
iv) 54.85

2 Net profit ratio for the year 31st March 2020 is

i) 28.25%
ii) 26.25%
iii) 26%
iv) 26.50%

3 State True or False. A higher Operating Profit Ratio is better for the firm.

i) True
ii) False

4 If the operating ratio is 50%, which of the following will lead to increase in ratio?

i) Building sold for ₹ 2,00,000
ii) Payment to creditors ₹ 500
iii) Purchase return ₹ 200
iv) Office expenses paid ₹ 5000

CASE STUDY-2

Read the following and answer the questions give below:

Particulars	Absolute Amount	
	31st March 2020 (₹)	31st March 2021 (₹)
I. EQUITY & LIABILITIES		
1. Share holders' Funds		
a) Share Capital	5,00,000	10,00,000
b) Reserve and Surplus	3,00,000	2,00,000
2. **Noncurrent Liabilities**		
Long Term Borrowings	5,00,000	8,00,000
3. **Current Liabilities**		
Trade Payables	2,00,000	4,00,000
Total	15,00,000	24,00,000
II. ASSETS		
2. Non-Current Assets		
Property, Plant & Equipment (Fixed Assets)-Tangible Assets	10,00,000	15,00,000
2. Current Assets		
Cash & Cash equivalent	5,00,000	9,00,000
Total	15,00,000	24,00,000

Answer the following

1 Current ratio for the year ending 31 March 2020 and 31 March 2021.

i) 2.25 : 1 and 2.50 : 1
ii) 2.25 : 1 and 2.25 : 1
iii) 2.50 : 1 and 2.25 : 1
iv) 2.50 : 1 and 2.50 : 1

2 When current ratio 1 : 1, which of the following will improve the ratio?

i) Sales of goods for ₹ 25,000 (cost ₹ 20,000)
ii) Bill payable discharged ₹ 1000.
iii) Purchased goods for cash ₹ 3500
iv) Cash paid to creditors ₹ 500

3 Find propriety ratio for the year ending 31 March 2020 & 31 March 2021

i) 0.53 : 1 and 0.50 : 1
ii) 0.50 : 1 and 0.53 : 1
iii) 0.55 ; 1 and 0.50 : 1
iv) 0.50 : 1 and 0.50 : 1

4 Which year has higher quick ratio?

i) 2020

	ii) 2021 iii) Both are equal (neither) iv) Neither 2020 nor 2021	
	CASE STUDY-3	
	A firm had a Current Assets of ₹ 4,00,000. It then paid a current liability of ₹ 80,000. After this payment the current ratio was 2 :1. Answer the following	
1	How much is Current liabilities after payment of ₹ 80,000? i) ₹ 3,20,000 ii) ₹ 1,60,000 iii) ₹ 80,000 iv) ₹ 2,00,000	
2	Determine working capital before and after payment of ₹ 80,000? i) ₹ 3,20,000 and ₹ 1,60,000 ii) ₹ 3,20,000 and ₹ 3, 20,000 iii) ₹ 1,60,000 and ₹ 1,60,000 iv) ₹ 2,40,000 and ₹ 1,60,000	
3	Liquid asset does not include the following i) Trades receivables ii) Short term loans and advances iii) Inventory and pre-paid expenses iv) Current investments	
4	What is the ideal current ratio and quick ratio? i) 3 : 1 and 2 : 1 ii) 2 : 1 and 1 : 1 iii) 1 : 1 and 2 : 1 iv) 2 : 1 and 2 : 1	
	CASE STUDY-4	
	Read the following and answer the questions give below:	

Particulars	₹
Equity Share capital	2,50,000
Preference Share Capital	1,30,000
General Reserves	1,50,000
Securities Premium	40,000
Profit & Loss Balance	70,000
10% Debentures	5,00,000
Loan from Bank	3,00,000
Current Liabilities	20,000

1	How much is the long-term debts? i) ₹ 8,00,000	

	ii) ₹ 5,00,000 iii) ₹ 3,00,000 iv) ₹ 8,70,000	
2	Find the value of share holders' fund? i) ₹ 5,30,000 ii) ₹ 3,80,000 iii) ₹ 6,40,000 iv) ₹ 6,00,000	
3	What will be Debt Equity ratio? i) 0.83 : 1 ii) 1.33 : 1 iii) 1.25 : 1 iv) 2 : 1	
4	State True or False. In the above case the Debt Equity ratio shows a risky financial position of the company. i) True ii) False	
	CASE STUDY-5	
	Following information is available for the year ending 31st March 2020 ₹ Cash revenue from operation (cash sales) 3,00,000 Purchases : Cash 1,50,000 : Credit 4,50,000 Carriage inwards 16,000 Salaries 75,000 Decrease in inventory 80,000 Return outwards 20,000 Wages 40,000 Ratio of Cash revenue from operations & credit revenue from operation is 1 ; 4	
1	. Find revenue from operation? i) ₹ 12,00,000 ii) ₹ 15,00,000 iii) ₹ 16,00,000 iv) ₹ 3,00,000	
2	Find cost of revenue from operations? i) ₹ 6,36,000 ii) ₹ 7,00,000 iii) ₹ 6,20,000 iv) ₹ 7,16,000	
3	Find gross profit ratio? i) 52.26% ii) 40.33%	

	iii) 48.85% iv) 58.33%	
4	How much will be the gross profit, if selling price is 25% above cost? i) ₹ 5,72,800 ii) ₹ 8,95,000 iii) ₹ 1,79,000 iv) ₹ 8,75,000	
	CASE STUDY-6	
	Read the following and answer the questions give below: 2019-20 ₹ — 2020-21 ₹ Inventory on 31st March: 7,00,000 — 17,00,000 Revenue from Operations: 50,00,000 — 75,00,000 Gross profit 25% on cost of revenue from operations In the year 2019-20, inventory increased by ₹2,00,000	
1	Calculate inventory turnover ratio for the year 2019-20? i) 6.07 times ii) 6.67 times iii) 5 times iv) 8.33 times	
2	Find cost of revenue from operations for the year 2020-21? i) ₹ 40,00,000 ii) ₹ 50,00,000 iii) ₹ 75,00,000 iv) ₹ 60,00,000	
3	Inventory turnover ratio is a part of i) Solvency ratio ii) Liquidity ratio iii) Activity ratio iv) Profitability ratio	
4	Which years inventory ratio is better for the above firm? i) 2019-20 ii) 2020-21 iii) Both are equal iv) Neither 2019-20 nor 2020-21	

	CASE STUDY-7	
	Read the following and answer the questions give below	

Particulars	₹
Opening Inventory	3,20,000
Closing inventory	4,00,000
Purchase	14,00,000
Wages	3,70,000
Carriage inwards	1,50,000
Administrative expenses	80,000
Selling expenses	40,000
Income tax	1,00,000
Profit on sale of fixed asset	20,000
Revenue from operations (sales)	24,00,000

1	Find operating ratio? i) 60% ii) 81.66% iii) 66.6% iv) 72%	
2	How much is the operating profit ratio? i) 18.34% ii) 24% iii) 20% iv) 30%	
3	How much should be total of operating ratio and operating profit ratio? i) They are not related to each other. ii) Total can be any value. iii) 100% iv) 120%	
4	What is the amount of net profit? i) ₹ 4,00,000 ii) ₹ 4,80,000 iii) ₹ 3,80,000 iv) ₹ 5,00,000	
	CASE STUDY-8	
	Cash revenue from Operations ₹ 1,00,000; Credit Revenue from Operations ₹ 3,00,000. Gross profit 30% on Revenue from Operations; Inventory turnover Ratio = 2 times. If the opening Inventory is 75% of Closing Inventory and Closing Inventory is 30% of Revenue from Operations	
1	Calculate the cost of Revenue from Operations? i) ₹ 3,00,000 ii) ₹ 1,20,000 iii) ₹ 4,00,000	

	iv) ₹ 2,80,000	
2	Find Average Inventory? i) ₹ 2,00,000 ii) ₹ 60,000 iii) ₹ 1,05,000 iv) ₹ 1,50,000	
3	What is effect of increase in value of closing inventory by ₹ 20,000, If the inventory turnover ratio is three times? i) Increase ii) Decrease iii) Neither increase nor decrease iv) May or may not increase	
4	Find the opening inventory and closing inventory if opening inventory is 75% of closing inventory and closing inventory is 30% of revenue from operations. i) ₹ 90,000 & ₹ 1,20,000 ii) ₹ 1,20,000 & ₹ 90,000 iii) ₹ 3,00,000 & ₹ 1,00,000 iv) ₹ 1,00,000 & ₹ 2,00,000	
	CASE STUDY-9	
	Read the following and answer the questions give below: Cost of Revenue from Operations - ₹ 3,00,000 Opening Debtors - ₹ 50,000 (Cost of Goods Sold) Closing Debtors - ₹ 1,00,000 Gross Profit on Cost – 25% Opening Creditors- ₹ 1,20,000 Cash Sales – 20% of Total Sales Closing Creditors - ₹ 1,60,000 Total Purchases ₹ 8,50,000 Cash Purchases ₹ 1,00,000 Purchase Return ₹ 50,000	
1	How much is Credit Revenue from Operations? i) ₹ 3,75,000 ii) ₹ 3,00,000 iii) ₹ 1,50,000 iv) ₹ 75,000	
2	Find Average Collection Period? i) 3 months ii) 4 months iii) 2 months	

	iv) 3.5 months	
3	Find Trade Payable Turnover Ratio? i) 6.5 times ii) 5.5 times iii) 5 times iv) 5.25 times	
4	Calculate Average Payable Period? i) 56 days ii) 73 days iii) 66 days iv) 69 days	
	CASE STUDY-10	
	Read the following and answer the questions give below:	

	Amount ₹
Plant & Machinery	10,00,000
Land & Building	6,00,000
Motor Car	3,70,000
Furniture	1,50,000
Stock	4,50,000
Debtors	90,000
Cash a t Bank	3,40,000
Non-Current Liabilities	10,00,000
Current Liabilities	6,20,000

1	Calculate Proprietary Ratio? i) 0.33 ii) 0.46 iii) 0.67 iv) 0.51	
2	How much is the Total Assets? i) ₹ 21,00,000 ii) ₹ 26,60,000 iii) ₹ 30,00,000 iv) ₹ 25,30,000	
3	What is effect of Issue of new equity shares against purchase of machinery, when proprietary ratio is 0.6 : 1?	
4	proprietary ratio indicates the proportion of total assets funded by __________. i) Creditors ii) Borrowed funds iii) Share Holders funds	

	iv) Total debts v)	

ANSWERS

1	1. (i)	2.(ii)	3.(ii)	4 (iv)
2	1. (iii)	2. (i)	3. (i)	4. (i)
3	1. (ii)	2. (iii)	3. (iii)	4.(ii)
4	1. (i)	2. (iii)	3. (iii)	4.(ii)
5	1. (ii)	2. (iii)	3. (i)	4. (ii)
6	1. (ii)	2. (iv)	3. (iii)	4. (i)
7	1. (ii)	2. (i)	3. (iii)	4. (i)
8	1. (iv)	2. (iii)	3. (ii)	4. (i)
9.	1. (ii)	2.(i)	3. (iii)	4. (ii)
10	1. (ii)	2. (iii)	3. (i)	4.(iii)

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	ASSERTION REASON QUESTIONS
	CHAPTER 1
	Accounting for a Partnership Firms- Fundamentals
1	**Assertion:** Salary paid to a partner is debited to Profit & Loss Account. **Reason:** Salary paid to a partner is an appropriation of profit.
	a) Assertion is wrong but Reason is correct. b) Assertion is correct but Reason is wrong. c) Both assertion and reason are correct. d) Both assertion and reason are wrong.
2	**Assertion:** A and B, the partners of a firm want to share profit of a firm equally. **Reason:** They can share profit of the firm equally if they do not have Partnership Deed.
	a) Assertion is wrong but Reason is correct. b) Assertion is correct but Reason is wrong. c) Both assertion and reason are correct. d) Both assertion and reason are wrong.
3	**Assertion:** Manager's commission is transferred to Profit and Loss Account. **Reason:** Manager's commission is a charge against profit.
	a) Assertion is wrong but Reason is correct. b) Assertion is correct but Reason is wrong. c) Both assertion and reason are correct. d) Both assertion and reason are wrong.
4	**Assertion:** In a partnership firm, maximum 50 persons can become the partners. **Reason**: The Central Government has prescribed maximum number of partners in a firm to be 50 vide rule 10 of Companies Rules, 2014.
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct.
5	**Assertion:** Gopal and Mohan are partners in a firm without a partnership deed. Mohan gave a loan of ₹ 1,00,000 to the firm and demanded interest on loan @ 10% p.a. **Reason:** He will receive interest on loan @ 6% p.a. in the absence of Partnership Deed
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct.
6	**Assertion:** Reeta and Geeta are partners in a firm sharing profits and losses in the ratio of 3:2. Geeta withdrew ₹ 50,000 during the year. Interest on drawings was calculated as ₹ 5,000 @ 10% p.a. **Reason:** interest on total drawings for the year is calculated for 6 months on average basis

	if the date of withdrawal is not given. Hence interest on Geeta's drawings will be Rs.2500
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct.
7	**Assertion:** Ajay and Vijay are partners sharing profits and losses in the ratio of 3:2, having fixed capitals of ₹ 6,00,000 and ₹ 4,00,000 respectively. According to Partnership Deed, Ajay and Vijay are entitled to get annual salary of ₹ 30,000 and ₹ 20,000 respectively. Vijay advised that their salary should be credited in their capital accounts. **Reason:** In case of fixed capital accounts, remuneration of the partners is credited to their Current Accounts.
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct.
8	**Assertion:** Aman and Vikas are partners sharing profits and losses in the ratio of 3:2. They do not have Partnership Deed. At the end of the year, Vikas demanded interest on capital @ 10 p.a. **Reason**: In the absence of Partnership Deed, interest on capital is not allowed
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct.
9	**Assertion**: Dinesh and Suresh are partners sharing profits equally but they do not have Partnership Deed. For the ended 31st March, 2020, Suresh demands salary @ 2,500 p.m. for looking after the business of the firm. **Reason:** Dinesh does not agree with Suresh and tells him that salary can be paid @ 1,000 p.m. only if Partnership Deed does not exist.
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct
10	**Assertion:** In a Partnership firm, business can be carried on by all partners or any of the partners acting for all. **Reason:** The partners are agents as well as the principals. As an agent, the partner represents the other partners and as a principal, the partner is bound by the act of other partners.
	a) Assertion is correct but Reason is wrong. b) Assertion is wrong but Reason is correct. c) Both assertion and reason are wrong. d) Both assertion and reason are correct.
11	**Assertion** (A): A Firm should have a Partnership Deed.

	Reason (R) : In case of dispute or any misunderstanding among partners , partnership deed acts as an evidence in the court of law.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
12	**Assertion (A)** : In absence of a deed , a sleeping partner who contributed 75% of total capital would get 75% of the profit earned. **Reason (R)** : A sleeping partner , in absence of a deed , gets equal share of profit , irrespective of his capital share.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
13	**Assertion (A)** : Fixed Capital Accounts of a partner never shows a debit balance inspite of regular and consistent losses year after year. **Reason (R)** : When Capital Accounts are fixed , losses are recorded in Partners' Current Account.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
14	**Assertion (A)** : A firm can change its existing agreement. **Reason (R)** : Any change in its partnership agreement, will be treated as punishable offence.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
15	**Assertion (A)** : In order to compensate a partner for contributing capital to the firm in excess of the profit sharing ratio , firm pays such interest on Partners' Capital. **Reason (R)** : Interest on Capital is treated as a charge against profits.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
16	**Assertion (A):** Profit and Loss Adjustment account is required for rectification of errors or omissions. **Reason (R)** : This account is prepared to rectify those errors and omissions which are left while preparing final accounts and found after distribution of profits among partners.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A

	c) A is true , but R is false d) A is false , but R is true
17	**Assertion (A)** : Interest on capital to a partner is payable only out of profits. **Reason (R):** Interest on capital is an appropriation of profits which is required irrespective of profits or loss.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
18	**Assertion (A):** It is considered desirable to have a partnership deed in writing. **Reason (R):** It helps in settling any disputes with regard to the terms of partnership and act as an evidence in the court of law.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
19	**Assertion (A):** The capital account of a partner does not show a debit balance inspite of regular and consistent losses year after year. **Reason (R):** All transactions relating to profit or loss, drawings, salaries etc. are shown in current not in capital account in case of the fixed capitals.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true
20	**Assertion (A)** : Rent paid to a partner is debited to profit and loss account. **Reason (R):** Rent paid to a partner is an appropriation of profit.
	Both A and R are true and R is the correct explanation of A b) Both A and R are true and R is not the correct explanation of A c) A is true , but R is false d) A is false , but R is true **ANSWERS**

1	a	2	c	3	c	4	c	5	a
6	b	7	b	8	b	9	d	10	d
11	d	12	d	13	b	14	c	15	c
16	a	17	d	18	a	19	a	20	c

	ASSERTION REASON QUESTIONS
	CHAPTER 2
	ADMISSION OF A PARTNER
1	**Assertion (A):** A newly admitted partner has the right to share the assets of the partnership firm. **Reason (R):** As per the provisions of the Partnership deed, the new partner has to bring some amount as Capital which can be in cash or in kind of assets to get rights in the assets and future profits of the firm.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
2	**Assertion (A):** At the time of admission of a new partner he is required to bring premium or goodwill. **Reason (R)** : Due to admission of a new partner , the existing partner's sacrifice their share of profits in favour of new partner. So, he has to compensate the existing partners for loss of their share in super profits of the firm.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
3	**Assertion (A):** The amount of premium brought in by the new partner is shared by the existing partners in their ratio of Sacrifice. **Reason (R):** Because the old partners sacrifice their share of profits in favour of new partner.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
4	**Assertion (A)**: At the time of admission of a new partner unrecorded liability are debited to Revaluation account. **Reason(R):** Unrecorded liabilities are the gain for the partnership firm.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
5	**Assertion (A):** At the time of admission of a partner the goodwill already existing in the book of accounts, the goodwill is written off by all partners including new partner. **Reason(R):** When goodwill already exists in books at the time of admission, the existing goodwill must be written off by debiting the old partners in their old profit sharing ratio.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false.

	c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
6	**Assertion (A**): At the time of admission of a new partner, general reserve appearing in the old balance sheet is transferred to all partner's capital account. **Reason(R):** The new partner is not entitled to have any share in general reserve (accumulated profits). These are transferred to old partner's capital accounts in old profit-sharing ratio.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
7	**Assertion (A):** At the time of admission of a new partner, advertisement suspense account is transferred to old partner's capital account in their old profit-sharing ratio **Reason(R):** Advertisement suspense account is a part of accumulated losses therefore like any other losses it should be transferred to old partners' capital account.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
8	**Assertion (A):** At the time of admission, the gain or loss on revaluation is transferred to all partner's capital account in their new profit-sharing **Reason (R):** All partners have the right to share the assets and liabilities of the partnership firm.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
9	**Assertion (A):** Unrecorded assets are credited to revaluation account at the time of admission of a new partner. R**eason (R):** Unrecorded assets are gain for the partnership firm because it increases the value of assets.
	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
10	**Assertion (A):** The revaluation account is prepared for the purpose of transferring the profit or loss arising out of increase or decrease in the book value of assets or liabilities of the partnership at the time of admission of a new partner. **Reason (R):** At the time of admission of a new partner, it is always desirable to ascertain whether the assets of a firm are shown in books at their current values. In case the assets are overstated or understated, these are revaluated.

	a) Both Assertion (A) and Reason (R) are true. b) Both Assertion (A) and Reason (R) are false. c) Assertion (A) is true and Reason (R) is false. d) Assertion (A) is false and Reason (R) is true.
11	**ASSERTION (A)** :When the new partner brings his share of Goodwill in cash and it is to be paid to the existing partners privately, no entry is passed in the books. **REASON (R):** The intention of the partners is not to show amount/transaction relating to Goodwill for any of the reasons. **Choose the correct answer**
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) **(b)** Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) **(c)** Assertion (A) is true, but Reason (R) is false **(d)** Assertion (A) is false, but Reason (R) is True
12	**ASSERTION (A) :** New profit sharing ratio is the ratio in which the old partner including the new partner share profits or losses of the firm **REASON (R)** : When new partner is admitted to the firm it is necessary to calculate the new profit sharing ratio with help of the share agreed to forgo by the old partners.
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) (b) Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is True
13	**ASSERTION (A**): A new partner can be admitted into a partnership firm with consent of the existing partners. **REASON (R)** : According to section 31 of the Indian Partnership Act, 1932, new partner shall not be introduced into firm without consent of all the existing partners. Unless it is agreed otherwise by the partners and partnership deed.
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) (b) Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is True
14	**ASSERTION (A)**: it is right of the new partner on the firm's Assets and Labilities **REASON (R):** Old partners of the firm sacrifice some profit according to the new profit sharing ratio in favour of incoming partner. **Choose the correct answer**
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A)

	(b) Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is True
15	**ASSERTION (A):** On admission of new partner, Assets and Liabilities are revalued and reassessed **REASON (R)** : The Assets and Liabilities are revalued and reassessed as to show the proper financial position of the firm and capital held by the partners at the time of admission. **Choose the correct answer**
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) (b) Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is True
16	**ASSERTION (A)** : Profit or loss on revalution of assets and reassessment of liabilities is transferred to the old partners' Capital account/Current account in old profit sharing ratio. **REASON (R)** : All the accumulated profits or losses and reserves are transferred to old partners' capital account/current account in the old profit sharing ratio
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) (b) Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is True
17	**ASSERTION (A)** : Whenever new partner brings Goodwill in cash he should bring the amount of Goodwill only for his share . **REASON (R)** : It is common rule that the gaining partner should compensate the sacrificing partner, to extent of his gain.
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) **(b)** Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) **(c)** Assertion (A) is true, but Reason (R) is false **(d)** Assertion (A) is false, but Reason (R) is True
18	**ASSERTION (A)**: The treatment of revaluation of assets and reassessment of liabilities is done in the same manner as done in case of change in profit sharing ratio. **REASON (R)**: Revaluation of assets and liabilities is only done when new partner is admitted.
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) **(b)** Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) **(c)** Assertion (A) is true, but Reason (R) is false **(d)** Assertion (A) is false, but Reason (R) is True

19	**ASSERTION (A)**: At the time of admission of partners if there is any general reserve, reserve fund or the balance of profit & loss account appearing in the balance sheet, it should be transferred to old partners' capital/current accounts in their old profit sharing ratio. **REASON (R) :** The general reserve, reserve fund or the balance of profit & loss account are the result of the past profits when the new partner was not admitted.
	(a) Both Assetion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) **(b)** Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) **(c)** Assertion (A) is true, but Reason (R) is false **(d)** Assertion (A) is false, but Reason (R) is True
20	**ASSERTION (A)** ; If the goodwill is not brought in cash, it can be adjusted only through the new partner's capital account. **REASON (R)** : The adjustment will reduce the capital of the partner. **Choose the correct answer**
	(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A) **(b)** Both Assertion (A) and the reason (R) are true, but the reason (R) is not the correct explanation of Assertion (A) **(c)** Assertion (A) is true, but Reason (R) is false **(d)** Assertion (A) is false, but Reason (R) is True
	ANSWERS

1	a	2	c	3	c	4	c	5	a
6	b	7	b	8	b	9	d	10	d
11	d	12	d	13	b	14	c	15	c
16	a	17	d	18	a	19	a	20	c

ASSERTION REASON QUESTIONS	
CHAPTER 3	
CHANGE IN PROFIT SHARING RATIO	
1	**Assertion (A):** Any change in existing agreement among partners brings a reconstitution of partnership firm **Reason(R):** Whenever there is any change in partnership agreement, then the existing agreement comes to an end and a new agreement comes to an existence. a. Assertion is correct and reason is also correct b. Assertion is correct but reason is not correct c. Assertion is wrong but reason is correct d. Assertion and reason both are Incorrect
2.	**Assertion (A):** When there is a change in profit sharing ratio of existing partners then the assets and liabilities of the firm are revalued. **Reason (R):** They are revalued because if there is any change in the value of assets and liabilities then such change belongs to the period prior to change in profit sharing ratio a. Both A and R are correct b. Both A and R are incorrect c. A is true but R is not correct explanation of A d. A is incorrect but R is correct
3.	**Assertion (A):** Accumulated profits appearing in the balance sheet on date of change in profit sharing ratio is to be distributed among existing partners in their old ratio. **Reason (R):** Accumulated profits had been owned before the reconstitution of the firm by the partners a. Both A and R are correct b. Both A and R are incorrect c. A is true but R is not correct explanation of A d. A is incorrect but R is correct
4.	**Assertion (A):** At time of change in profit sharing ratio goodwill appears in the books is written off among existing partners in their old profit sharing ratio **Reason (R):** Goodwill Cannot be raised in the books of the firm unless no consideration in money has been paid for it a. Both A and R are correct b. Both A and R are incorrect c. A is true but R is not correct explanation of A d. A is incorrect but R is correct
5.	**Assertion (A):** Increase in Accrued Income is Credited to Revaluation Account. **Reason (R):** Accrued Income is a liability. a) Both Assertion and Reason are correct b) Both Assertion and Reason are incorrect c) Assertion is correct but Reason is wrong d) Assertion is wrong but Reason is correct
6.	**Assertion (A):** Gaining ratio is calculated to determine the amount of compensation to be paid by gaining partner to the sacrificing partner. **Reason (R):** Gaining ratio is excess of old ratio over new ratio a) Both Assertion and Reason are correct b) Both Assertion and Reason are incorrect c) Assertion is correct but Reason is wrong

	d) Assertion is wrong but Reason is correct
7.	**Assertion(A):** Assets and liabilities are revalued when there is change in profit sharing ratio of existing partners **Reason (R):** It is to ensure that no partner is at an advantage or disadvantage due to change in the value of assets and liabilities a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
8.	**Assertion (A):** At time of change in profit sharing ratio among partners goodwill is not recognised in the book of the firm. **Reason (R):** As per AS- 26, intangible assets should be recognised in the books only when consideration in money or money's worth has been paid for it. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
9.	**Assertion (A):** Change in profit sharing ratio does not change the relationship among the existing partners. **Reason (R):** Change in profit sharing ratio leads to dissolution of partnership. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
10.	**Assertion (A):** Workmen compensation reserve is credited to partners' capital or current accounts in their old profit sharing ratio. **Reason (R):** Reserves exist in the books of firm, transferred to Partners' Capital Accounts only. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
11.	**Assertion (A):** Workmen Compensation Claim in excess of Workmen Compensation Reserve is debited to Revaluation Account. **Reason (R):** The loss will be borne by all the partners in their new profit sharing ratio. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
12.	**Assertion (A):** Advertisement suspense existing in Assets side of Balance Sheet should be debited to partners' capital a/c. **Reason (R):** Advertisement suspense a/c is Accumulated profit. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
13.	**Assertion (A):** Investments are recorded in the books of the firm at cost.

	Reason (R): Market value of investment may be equal to or lower or higher than its book value. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
14.	**Assertion (A):** Reserves cannot appear at the same amount in the Balance Sheet of the reconstituted firm. **Reason (R):** Reserves are to be distributed among partners in their old ratio. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
15.	**Assertion (A):** Unrecorded assets are credited to revaluation account. **Reason (R):** Increase in value of asset is gain. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
16.	**Assertion (A):** Firm is reconstituted in the event of change in profit sharing ratio among the existing partners only. **Reason (R):** Any change in existing agreement of partnership is reconstitution of the firm. a. Both A and R are and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
17.	**Assertion (A):** Workmen compensation reserve is created out of firms' profit to meet possible liability on account of compensation to employees, if it arises. **Reason (R):** Workmen compensation reserve existing in balance sheet against which no liabilities exists, is transferred to capital accounts of partners in their sacrificing ratio. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
18.	**Assertion (A):** The partners whose profit shares have increased as result of change in profit sharing ratio are known as gaining partners. **Reason(R):** Gaining ratio = new ratio - old ratio a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct.
19.	**Assertion (A):** Increase in value of assets and decrease in amount of liabilities are credited to revaluation account. **Reason (R):** Revaluation is a nominal account. a. Both A and R are correct and R is the correct explanation of A.

	b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct
20.	**Assertion (A):** Reserves and accumulated profits and losses will continue to be shown at their old values in balance sheet of new firm. **Reason (R):** Reserves and Accumulated profits and losses are adjusted through Partners' Capital A/c. a. Both A and R are correct and R is the correct explanation of A. b. Both A and R are correct but R is not the correct explanation of A. c. A is correct but R is wrong d. A is wrong but R is correct

ANSWERS

1	**a**
2	**a**
3	**a**
4	**c**
5	**c**
6	**c**
7	**a**
8	**a**
9	**d**
10	**c**
11	**c**
12	**c**
13	**b**
14	**d**
15	**a**
16	**d**
17	**c**
18	**a**
19	**a**
20	**a**

QNo	ASSERTION-REASON TYPE QUESTIONS
	CHAPTER 4
	SHARE CAPITAL
	Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below : (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) (B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A) (C) Assertion (A) is true but Reason (R) is false. (D) Assertion (A) is false but Reason (R) is true.
	Read the following text. Based on the information given, Akhil Ltd purchased a running business from Sunny Ltd for a sum of Rs 22,00,000 by issuing 20,000 fully paid equity shares of Rs 100 each at a premium of 10%. The assets and liabilities consisted of the following : Machinery Rs 7,00,000, debtors Rs 2,50,000, stock Rs 5,00,000, building Rs 11,50,000 and bills payable Rs 2,50,000.
1	**Assertion (A):** Akhil Ltd issued equity shares to Sunny Ltd for consideration other than cash. **Reason (R):** Akhil Ltd did not receive cash from Sunny Ltd for issue of shares on purchase of running business.
2	**Assertion (A):** The net assets purchased from Sunny Ltd was Rs.23,50,000 and Akhil Ltd issued in return its equity shares at a premium of 10% for a sum of Rs.22,00,000, the difference being capital profit. **Reason (R):** The difference Rs.1,50,000 is credited to statement of Profit &Loss.
	Read the following text. Starplus Ltd issued for public subscription 1,50,000 shares of the value of Rs.100 each at a premium of Rs.20 per share payable as follows. On application -Rs.20(including premium of Rs.5 per share) On allotment -Rs.60(including premium of Rs.15 per share) On First & final call- The balance. The company received applications for 3,00,000 shares and allotment was made as follows. a) To the applicants of 30,000 shares -10,000 shares. b) To the applicants of 1,40,000 shares -80,000 shares. c) To the remaining applicants -60,000 shares. Hari, a shareholder who had applied for 7,000 shares of group (b) failed to pay allotment and call money. Rohan, a shareholder, who was allotted 1,000 shares of group (a) paid the full amount along with allotment. Hari's shares were forfeited after the call has been made. Of these 3,000 shares were reissued to Suman for Rs.150 per share as fully paid**.**
3	**Assertion (A):** Star plus Ltd can use Securities Premium received is capital profit and can be transferred to Capital Reserve. **Reason (R):** Companies Act, 2013 specified the specific purposes for which securities

	premium reserve can be utilised.
4	**Assertion (A):**Hari got allotment of 4000 shares on pro-rata basis under group (b) **Reason (R):**Hari failed to pay Rs.24,000(=Rs.60x4000) on allotment
5	**Assertion (A):** Rohan need not to pay when First & final call made. **Reason (R):**Rohan paid full amount of Rs.60000 along with allotment .
6	Assertion (A): Amount forfeited on Hari's shares is Rs.1,20,000 Reason (R): Profit on reissue of Hari's shares is transferred to capital reserve.
	Read the following text. Zocon Ltd. issued a prospectus inviting applications for 5,00,000 equity shares of Rs.10 each issued at a premium of 10% payable as: Rs.3 on Application Rs.5 on Allotment (including premium) and Rs.3 on call. Applications were received for 6, 60,000 shares. Allotment was made as follows: (a) Applicants of 4, 00,000 shares were allotted in full. (b) Applicants of 2, 00,000 shares were allotted 50% on pro rata basis. (c) Applicants of 60,000 shares were issued letters of regret. A shareholder to whom 500 shares were allotted under category (a) paid full amount on shares allotted to him along with allotment money. Another shareholder to whom 1,000 shares were allotted under category (b) failed to pay the amount due on allotment. His shares were immediately forfeited. These shares were then reissued at Rs.14 per share as Rs.7 paid up. Call has not yet been made.
7	**Assertion (A):** There was oversubscription for shares of the company. **Reason (R):**The applicants for 1,60,000 shares were not allotted and their application money refunded.
8	**Assertion (A):**Amount unpaid on allotment is Rs.2,000. **Reason (R):**Excess application money under category (b) was adjusted towards allotment.
9	**Assertion (A):**The forfeited shares were reissued at a premium of Rs.4 per share. **Reason (R):**The total of forfeited amount was transferred to capital reserve.
10	**Assertion (A):**The amount credited to calls in advance was Rs.1,500 **Reason (R):**If authorized by Articles of Association, A Company may accept call in advance from its shareholders.
11	**ASSERTION**: Underwriters usually agrees for commission to take shares not subscribed by the public. **REASONING**: The cash / shares paid to the underwriters should be written off in the year from Securities premium Reserve or Statement of Profit and loss. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct explanation of A (iv) A is incorrect by R is correct.
12	**ASSERTION:** According to Sec 39(2) of the Companies Act, 2013, minimum application money should be 5% of the nominal (face) value of the share or such other percentage or amount as may be prescribed by Securities Exchange Board of India(SEBI)

	REASON: SEBI prescribes that application money should not be less than 25% of the issue price. **(i)** Both A and R are correct **(ii)** (ii)Both A and R are in correct **(iii)** A is correct but R is not correct explanation of A **(iv)** A is incorrect by R is correct.
13	**ASSERTION:** Reserve capital is part of issued share capital that a company resolves not to call except in the event of it being wound up. **REASON**: Reserve capital is the part of issued capital which is shown in the Balance Sheet of the company. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is incorrect (iv) A is incorrect by R is correct.
14	**ASSERTION**: Sec2(62) of the Companies Act, 2013 defines One person company as "One person company means a company which has only one person as member" **REASON**: It can be formed for charitable purpose also. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct explanation of A (iv) A is incorrect by R is correct.
15	**ASSERTION:** if a shareholder does not pay the call amount due on allotment or on any calls according to the terms, the amount so not received is called call in arrears. **REASON**: Table F of the companies Act, shall apply which provides for interest on calls in arrears 10% p.a. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct (iv) A is incorrect by R is correct.
16	**ASSERTION:** SEBI the Regulatory authority for listed companies prescribes that the company must receive minimum subscription of 90% of the shares issued for subscription before it allots the shares. **REASON**: If minimum subscription is not received within the specified period, application money shall be refunded with 14 days from the closure of the issue. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct (iv) A is incorrect by R is correct.
17	**ASSERTION:** When some of the forfeited shares are reissued, gain(profit) on reissued

	shares is transferred to Capital Reserve. **REASON**: Gain or profit on re issued shares is calculated as follows: = total amount forfeited x no. of shares re issued-reissue discount No. of shares forfeited (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct explanation of A (iv) A is incorrect by R is correct
18	**ASSERTION:** According to sec 42 of the companies act, 2013, private placement means any offer of securities or invitation to subscribe to a selected group of persons. **REASON**: Employees Stock Option Plan is also a type of private placement of shares. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct (iv) A is incorrect by R is correct
19	**ASSERTION:** Pro rata allotment is a type of allotment of shares in which the excess application money received over and above the actual application money is adjusted towards allotment money due. **REASON**: Pro rata ratio enable to find out the actual applications made and actual shares allotted. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct explanation of A (iv) A is incorrect by R is correct
20	**ASSERTION**: Section 52(2) of the Companies Act,2013 restricts the use of the amounts received as share premium on securities for specified purposes. **REASON:** Securities premium reserve can be used to write off preliminary expenses of the company. (i) Both A and R are correct (ii) Both A and R are in correct (iii) A is correct but R is not correct explanation of A (iv) A is incorrect by R is correct

	ANSWERS

A-R Type Questions	**1**	**A**
	2	**C**
	3	**D**
	4	**C**
	5	**A**
	6	**B**
	7	**C**
	8	**A**
	9	**D**
	10	**B**

A-R Type Questions	**11**	**i**
	12	**iii**
	13	**iii**
	14	**iii**
	15	**i**
	16	**iii**
	17	**i**
	18	**iii**
	19	**iv**
	20	**i**

	ASSERTION- REASON BASED QUESTIONS
	CHAPTER 5
	FINANCIAL STATEMENTS OF A COMPANY
1	**Assertion:** Financial statements need to be arranged in a proper form with suitable contents so that the shareholders and other users of financial statements can easily understand and use them in their economic decisions in a meaningful way. **Reason:** The financial statements are the outcome of the summarizing process of accounting and are, therefore, the sources of information on the basis of which conclusions are drawn about the profitability and the financial position of a company a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
2	**Assertion:** Financial statements reflect a combination of recorded facts, accounting principles and personal judgements". **Reason**: Personal opinion, judgements and estimates are made while preparing the financial statements to avoid any possibility of over statement of assets and liabilities, income and expenditure, keeping in mind the convention of conservatism a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
3	**Assertion:** Financial statements are the basic sources of information to the shareholders and other external parties for understanding the profitability and financial position of any business concern **Reason:** the primary objective of financial statements is to assist the users in their decision-making. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
4	**Assertion**: Money received against share warrants' to be disclosed as a separate line item under 'shareholder's fund'. **Reason**: It is the amount received by the company which are converted into shares at a specified date on a specified rate a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
5	**Assertion:** Preliminary expenses, discount on issue of debentures, share issue expenses etc are to be written off in the year in which such expenses are incurred first from security premium Reserve and the balance if any, from statement of profit & loss. **Reason:** According to Section 52 of Companies Act 2013, securities premium can not be used for the following purposes: For the issue of fully paid bonus share capital. For meeting the preliminary expenses incurred by the company. For meeting the

	expenses, commission or discount incurred concerning securities previously issued by the company. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
6	**Assertion:** Since declaration of proposed (final) dividend is contingent upon shareholders' approval, Proposed dividend is shown as contingent liability. **Reason:** proposed dividend of previous year will be accounted in the current year before it is declared (approved) by the shareholders in their annual general meeting. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
7	**Assertion:** financial statements do not reflect current situation*:* **Reason***:* Financial statements are prepared on the basis of historical cost. Since the purchasing power of money is changing, the values of assets and liabilities shown in financial statement do not reflect current market situation. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
8	**Assertion;** A Ltd issued 5,00,000, 9% Debentures of Rs.100 each on 1st April 2016,redeemable in 5 equal yearly instalments starting from 31st March2017. Rs.4,00,00,000 Debentures will be shown under Noncurrent liabilities and Rs.1,00,00,000 Debentures will be shown under Current liabilities **Reason**: Rs.1,00,00,000 Debentures are to be redeemed after the operating cycle of the company and will be classified as "Current maturities of long term borrowings. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
9	**Assertion**: A trading company sells its fixed assets through an agent. The agent is to be paid Rs.50,000 as fee which can be shown as Trade payables in the Balance sheet **Reason:** Trade payables are defined as the amount payable against purchase of goods or services taken in the normal course of business and includes both sundry creditors and bills payable. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong
10	**Assertion:** Amount received by the company as share application and against which the company will certainly allot shares should be shown under the head Share application money pending allotment **Reason:** The application money is received before the Balance sheet date and allotment will be made after the Balance sheet date. a) Both A and R are correct

	b) A is correct, but R is wrong c) A is wrong, but R is correct d) Both A and R are wrong

Answers
1. a
2. b
3. a
4. a
5. b
6. b
7. a
8. b
9. c
10. a

	ASSERTION- REASON BASED QUESTIONS	
	CHAPTER 6	
	RATIO ANALYSIS	
1	**Assertion (A):** Accounting ratio is an arithmetic relationship between two independent variables. **Reason (R):** Accounting ratios can be expressed in pure form, percentage, times or fraction. e) Both A and R are correct f) A is correct, but R is wrong g) A is wrong, but R is correct **h)** Both A and R are wrong	
2	**Assertion (A):** Ratio analysis helps to simplify accounting information for various users. **Reason (R)**: Various types of ratios helps to make comparative analysis. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
3	**Assertion (A):** An ideal current ratio of 2: 1 indicates good financial health of a company. **Reason (R)**: Increased current ratio is an indicator of ideal funds. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
4	**Assertion (A):** An ideal quick ratio is 1: 1. **Reason (R)** : Quick asset does not include inventory. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
5	**Assertion (A):** A lower trade receivables turnover ratio is preferred by company. **Reason (R)** : Trade receivables turnover ratio is an indicator of how promptly company collects its debts. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
6	**Assertion** (A): Firms ability to meet long term obligation is assessed through solvency ratio. **Reason (R)**: Solvency ratio establishes relation between various variables like debt, share holders' fund, asset and interest coverage. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
7	**Assertion (A)**: Return on investment is a significant ratio to find overall performance of an enterprise. **Reason (R)**: For determining return on investment, net profit after tax is taken.	

	a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
8	**Assertion (A)**: Operating profit ratio and operating ratio are complementary to each other. **Reason (R):** A higher operating ratio indicates decline in efficiency. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
9	**Assertion (A)**: A low inventory turnover ratio means inefficient use of investment in inventory and accumulation of inventory. **Reason (R)** ; An increase in closing inventory leads to decrease in inventory ratio. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
10	**Assertion (A)**: Activity ratio is directly related to profitability ratio. **Reason (R)**: All the turnover ratio measure how well the resources have been used by the enterprises. a) Both A and R are correct b) A is correct, but R is wrong c) A is wrong, but R is correct **d)** Both A and R are wrong	
	ANSWERS	

1.		**c**
2.		**a**
3.		**b**
4.		**b**
5.		**c**
6.		**a**
7.		**b**
8.		**b**
9.		**a**
10.		**a**

	ADDITIONAL MCQ ON THE BASIS OF CBSE'S SAMPLE PAPER
	CHAPTER 1 PARTNERSHIP FUNDAMENTALS
1	Ram, Raghav and Raghu are partners in a firm sharing profits in the ratio of 5:3:2. As per Partnership Deed, Raghu is to get a minimum amount of ₹ 10,000 as profit. Net profit for the year is ₹ 40,000. Find the deficiency amount in the above case. a) ₹ 750 b) ₹ 1,000 c) ₹ 1,500 d) ₹ 2,000
2	A, B and C are partners sharing profits equally. A drew regularly ₹ 4,000 in the beginning of every month for six months ended 30th September, 2020. Calculate interest of A's drawing @ 5% p.a. a) ₹ 200 b) ₹ 1,200 c) ₹ 350 d) ₹ 700
3	If a partner withdraws equal amount at the end of each quarter then average period for calculation of interest on drawings will be …………………. a) 5.5 months b) 6 months c) 4.5 months d) 7.5 months
4	In the context of debit side of Profit and Loss Appropriation Account, pick out the odd one: a) Interest on capital b) Salary of partner c) Interest on drawings d) Commission of partner
5	Which of the following is not a right of a partner? a) Right to inspect the books of accounts b) Right to take part in the management of the firm c) Right to share the profits/losses with other partners in agreed ratio d) Right to receive salary at the end of every year.

6	On 1st April 2018, a partner introduced additional capital of ₹ 50,000 in the firm but Partnership Deed is silent. The partner demands interest on capital @ 5% p.a. How much interest on capital will be payable to the partner: a) ₹ 3,000 b) Interest on capital will not be allowed c) ₹ 2,500 d) ₹ 1,800
7	Do all partnership firms need a Deed and registration? a) Yes b) No c) It is Compulsory d) Its optional but it is better to have a registered firm to avoid any kind of conflict
8	Interest on partner's drawings will be credited to – a) Profit and Loss Account b) Profit and Loss Appropriation Account c) Partner's Capital Account d) Partner's Current Account
9	A, B and C are partners sharing profits in the ratio of 5:3:2. Before B's salary of ₹ 17,000, firm's profit is ₹ 97,000. How much in total B will receive from the firm? a) ₹ 17,000 b) ₹ 40,000 c) ₹ 24,000 d) ₹ 41,000
10	Anil and Vimal are partners in a partnership firm without any agreement. Anil devotes more time for the firm as compared to Vimal. Anil demands that he should be given commission in addition to profit in the firm's profit. Which one of the following is correct in above case? a) 6% of profit b) 4% of profit c) 5% of profit d) No commission is to be provided
11	Match the following: A) Rent payable to partner — i) Unlimited B) In the absence partnership Deed, — ii) Equally

	Profits and Losses will be shared by Partners	
C) Under fixed capital method, salary payable to a partner will be	iii) Charge against profit
D) Liability of a partner in a partnership firm is	iv)Credited to partner's current Account

A B C D

a) (i) (ii) (iii) (iv)

b) (i) (iv) (ii) (iii)

c) (iii) (ii) (iv) (i)

d) (iv) (iii) (ii) (i)

12 Match the following.

A) Partnership Deed	i) 50
B) Maximum number of partners in a partnership firm	ii) 6% p.a.
C) Interest on Partners' Loan	iii) A Statement
D) Balance Sheet	iv) Written Agreement

A B C D

a) (i) (ii) (iii) (iv)

b) (iv) (i) (ii) (iii)

c) (iii) (ii) (iv) (i)

d) (iv) (iii) (ii) (i)

13 Match the following:

A) When drawings are made in the beginning of every quarter	i) 6 Months
B) When drawings are made in the middle of every month Months	ii) 4.5
C) When drawings are made at the end of every quarter	iii) 7.5 Months
D) When drawings are made at the end of every month	iv) 5.5 Months

A B C D

a) (i) (ii) (iii) (iv)

b) (iv) (i) (ii) (iii)

c) (iii) (ii) (iv) (i)

d) (iii) (i) (ii) (iv)

14	Q14. Match the following:

Column I (In absence of Partnership Deed)	Column II (Provisions)
A) Interest on Capital	i) Allowed
B) Interest on Partner's Loan	ii) Equally
C) Profits/Losses	iii) 6% p.a.
D) Partners allowed to withdraw amount	iv) Not allowed

A B C D

a) (i) (ii) (iii) (iv)

b) (i) (iv) (ii) (iii)

c) (ii) (iii) (iv) (i)

d) (iv) (iii) (ii) (i)

15	Q15. Match the following:

Column I	Column II
A) Interest on drawings	i) Credit side, Partners' capital Account
B) Commission to a Partner	ii) Credit side, Profit and Loss Appropriation Account
C) Interest on Partner's Loan	iii) Debit side, Profit and Loss Appropriation Account
D) Interest on capital of partners	iv) Debit side, Profit and Loss Account

A B C D

a) (i) (ii) (iii) (iv)

b) (i) (iv) (ii) (iii)

c) (ii) (iii) (iv) (i)

d) (iv) (iii) (ii) (i)

16	Q16. Match the following:

Column I	Column II
A) Registration of Partnership Firm	i) Capital A/c and Current A/c
B) Agreement among partners	ii) Interest on drawings

	C) Fixed Capital Method consist of D) Product method is used for | iii) Written or Oral iv) is not compulsory A B C D a) (iv) (iii) (i) (ii) b) (i) (ii) (iii) (iv) c) (ii) (iii) (iv) (i) d) (iv) (iii) (ii) (i)
17	Steps involved in distribution of profit under minimum guarantee to partner will be………………….. i) Calculate the amount of deficiency ii) Calculate distributable profit between/among the partners iii) Distribute the amount of deficiency between/among the partners who have given the guarantee iv) Calculate the actual share of profit of each partner a) ii) iv) i) iii) b) i) ii) iii) iv) c) iii) ii) iv) i) d) iv) iii) ii) i)
18	Steps involved in calculation of opening capital of a partner are given below. Select the correct order: i) Closing Capital ii) Add: Drawings of the partner iii) Less: Net Profit iv) Less: Additional Capital introduced by the partner a) i) ii) iii) iv) b) ii) iii) i) iv) c) iii) iv) ii) i) d) iv) iii) ii) i)
19	Which one of the following is the correct order for preparing the Financial Statements of a Partnership Firm? i) Partners' Capital Accounts ii) Profit and Loss Account iii) Profit and Loss Appropriation Account iv) Balance Sheet of the firm a) i) ii) iii) iv) b) iv) iii) ii) i)

	c) ii) iii) i) iv) d) i) iii) iv) ii)
20	Steps involved in recording of past adjustment journal entry are given below. Arrange the steps in correct order and select the correct option: i) Calculation of correct amount to be distributed ii) Ascertaining the partners to be debited and credited iii) Calculation of profit already distributed between/among the partners iv) Pass the adjustment journal entry a) i) ii) iii) iv) b) i) iii) ii) iv) c) iv) iii) ii) i) d) iv) iii) i) ii)

ANSWERS:				
Q1. D	Q2. C	Q3. C	Q4. C	Q5. D
Q6. B	Q7. D	Q8. B	Q9. D	Q10. D
Q11. C	Q12. B	Q13.D	Q14.D	Q15.C
Q16.A	Q17. A	Q18.A	Q19. C	Q20. B

	CHAPTER 2 CHANGE IN PROFIT SHARING RATIO
1	At the time of change in the profit-sharing ratio, when revised values of Assets & Liabilities are not to be recorded (Assets & Liabilities will appear in Balance Sheet at old value). **Calculate the net effect of revaluation Gain/Loss:** i **a**. Add: Increase in the value of Assets b. Add: Decrease in the value of liabilities c. Less: Decrease in the value of Assets d. Less: Increase in the value of liabilities ii a. Add: Increase in the value of liabilities b. Add: Decrease in the value of Assets c. Less: Increase in the value of Assets d. Less: Decrease in the value of liabilities iii a. Add: Decrease in the value of Assets b. Add: Increase in the value of liabilities c. Less: Decrease in the value of Assets d. Less: Increase in the value of Assets iv None of the above
2	**Revaluation account is a _______________ Account.** i Real ii Nominal iii Personal iv None of the above
3	Mira, Sita and Priya were sharing profits I the ratio of 2:2:1. They decided to share future profits in the ratio of 7:5:3. Their Balance Sheet showed a balance of Rs. 45,000 in Advertisement Account. **The amount to be debited respectively to the Capital accounts of Mira, Sita and Priya for writing off the amount in Advertisement Suspense account will be** i Rs.15,000, Rs.15,000, Rs.15,000 ii Rs.22,500, Rs.22,500, Nil **iii** Rs.18,000, Rs.18,000, Rs.9,000 iv Rs.21,000, Rs.15,000, Rs.9,000
4	. **Which of the following is NOT true in relation to goodwill?** i It is an intangible asset ii It is fictitious asset

	iii It has a realisable value iv None of the above
5	. X Y and Z are partners sharing profits and losses in the ratio 5 : 3 : 2. They decide to share the future profits in the ratio 3 : 2 : 1. Workmen compensation reserve appearing in the balance sheet on the date, if no information is available for the same,will be : i Distributed to the partners in old profit sharing ratio ii Distributed to the partners in new profit sharing ratio iii Distributed to the partners in capital ratio iv Carried forward to new balance sheet without any adjustment
6	On the reconstitution of a firm change in the value of assets is called ___ A. Revaluation of assets B. Reassessment of assets C. Devaluation of assets D. Reassessment of liabilities
7	Accounting Standard ____ requires goodwill should be recorded in the books of accounts only when some money or money's worth is paid for it. A. 26 B. 23 C. 27 D. 10
8	Which adjustment is not required when existing partners decide to change their profit sharing ratio: A. Reserves B. Accumulated profits C. Employee Provident Fund D. Goodwill
9	Arun, Beena and Chandani are sharing profits in the ratio of 2:1:1. They have decided to share future profits in the ratio of 3:2:1. Find out the gaining partner. a. Both Arun and Chandani are the gaining partner. b. Chandani is the gaining partner c. Beena is the gaining partner d. Arun is the gaining partner
10	The Excess amount which the firm can get on selling its assets over and above the saleable value of its assets while business purchases is called :

	a. Surplus b. Super profits c. Resereve **d. Goodwill**
11	A, B and C shared profit and losses in the ratio of 3:2:1 respectively. With effect from 1st April, 2016, they agreed to share profit equally. The goodwill of the firm was valued at Rs.36,000. Pass necessary journal entry. a. A's capital a/c ………………Dr 6,000 To B's capital a/c 6,000 b. B's capital a/c ………………Dr 6,000 To A's capital a/c 6,000 c. B's capital a/c ………………Dr 6,000 To C's capital a/c 6,000 d. C's capital a/c ………………Dr 6,000 To A's capital a/c 6,000
12	A and B were partners in a firm sharing profits or loss equally. With effect from –1-4-2021 they agreed to share profits in the ratio 5:3. Due to change in profit sharing ratio B's gain or sacrifice will be: a) Gain 1/8. b) Sacrifice 1/8 c) Gain 1/10 d) Sacrifice 1/10
13	1. WCR = 30,000 and there is no claim against WCR. What journal entry would be passed in case when X,Y and Z decide to change profit sharing ratio from 2:1:2 to 5:3:2- a. Workmen Compensation Reserve A/c Dr 30,000 To Provision for workmen compensation claim 10,000 To X' Capital or current A/c 8,000 To Y' Capital or current A/c 4,000 To Z' Capital or current A/c 8,000 b. Workmen Compensation Reserve A/c Dr30,000 Revaluation a/c………………………………..Dr 10,000 To Provision for workmen compensation claim 40,000 c. Workmen Compensation Reserve A/c Dr 30,000 To X' Capital or current A/c 12,000 To Y' Capital or current A/c 6,000 To Z' Capital or current A/c 12,000 d. Workmen Compensation Reserve A/c Dr 30,000 To X' Capital or current A/c 15,000 To Y' Capital or current A/c 9,000 To Z' Capital or current A/c 6,000
14	Arrange in a proper sequence to determine the goodwill in case of superprofit method.

1. Goodwill = super profit* no.of years of purchase.

2. Calculate the super profit.

3. Calculate the capital employed in the business and normal profit

4. calculate/find out the average profit or actual profit.

a. 1,2,3,4

b. 2,4,1,3

c. 4,1,2,3

d. 4,3,2,1

15

MATCH THE FOLLOWING: Investment shown in the Balance Sheet is Rs.20000	
(i)When Investment Fluctuation Reserve is Rs.5000 whereas the Market value of Investment is Rs.10000	(a)Revaluation a/c Dr 4000 To Investment a/c 4000
(ii)When Investment Fluctuation Reserve is Rs.5000 whereas the Market value of Investment is Rs.20000	(b)Investment Fluctuation reserve a/c Dr 5000 To Investment a/c 2000 To Partners capital a/c 3000
(iii)When Investment Fluctuation Reserve is Rs.5000 whereas the Market value of Investment is Rs.18000	(c)Investment fluctuation reserve a/c Dr 5000 To partners' capital a/c 5000
(iv)When Investment Fluctuation Reserve is NIL whereas the Market value of Investment is Rs.16000	(d)Partners' capital a/c Dr5000 Revaluation a/c Dr 5000 To Investments a/c 10000

A. (i)-(d) (ii)-(c) (iii) (b) (iv)-(a)
B. (i)-(a) (ii)-(b) (iii) (c) (iv)-(d)
C. (i)-(a) (ii)-(b) (iii) (d) (iv)-(c)
D. (i)-(c) (ii)-(d) (iii) (a) (iv)-(b)

16

17 (cont.)	**MATCH THE FOLLOWING:**

MATCH THE FOLLOWING:	
(i) When WCR is Rs.20000 whereas the claim on WCR is Rs.10000	(a)WCR a/s Dr 20000 To claim on WCR a/c 20000
(ii)When WCR is Rs.20000 whereas the claim on WCR is Rs.25000	(b)WCR a/c Dr 20000 To claim on WCR a/c 10000 To Partner's capital a/c 10000
(iii)When WCR is Rs.20000 whereas the claim on WCR is NIL	(c)WCR a/s Dr 20000 Revaluation a/c Dr 5000 To claim on WCR a/c 25000
(iv)When WCR is Rs.20000 whereas the claim on WCR is Rs.20000	(d)WCR a/s Dr 20000 To partners' capital a/c 25000

A. (i)-(b) (ii)-(c) (iii) (d) (iv)-(a)
B. (i)-(a) (ii)-(b) (iii) (c) (iv)-(d)
C. (i)-(a) (ii)-(b) (iii) (d) (iv)-(c)
D. (i)-(c) (ii)-(d) (iii) (a) (iv)-(b)

17 In the following cases, what is the gaining share of the gaining partner

i	A,B,C are partners sharing profits in the ratio of 5:3:2. They decided to share future profits in the ratio of 2:3:5.	a	Gain 1/12
ii	R and G are partners sharing profits in the ratio of 2:1. They decided to share future profits in the ratio of 1:1.	b	Gain 3/10
iii	V and Ware partners sharing profits in the ratio of 3:1. They decided to share future profits in the ratio of 2:1.	c	Gain 1/18
iv	M and N are partners sharing profits in the ratio of 5:4. They	d	Gain 1/6

	decided to share future profits in the ratio of 1:1.		

1) i-c, ii-a, iii-d, iv-b
2) i-a, ii-b, iii-c, iv-d
3) i-b, ii-d, iii-a, iv-c
4) i-d, ii-c, iii-b, iv-a

18

7. Nitin, Tarun and Amar are partners sharing profits equally and decide to share profits in the ratio of 2 : 2 : 1 *w.e.f.* 1st April, 2019. The extract of their Balance Sheet as at 31st March, 2019 is as follows:

Liabilities	Rs.	Assets	Rs.
Investments Fluctuation Reserve	60,000	Investments (At Cost)	4,00,000

Give the Journal entries in each of the following cases:

I	When its Market Value is Rs. 4,00,000	**a**	Investment Fluctuation Reserve A/c Dr.60,000 Revaluation A/c Dr.30,000 To Investment A/c 90,000 (Decrease in investments set off against IFR and balance debited t Revaluation A/c)
Ii	When its Market Value is Rs. 4,24,000	**b**	Investment Fluctuation Reserve A/c Dr. 60,000 To Investment A/c 30,000 To Nitin's Capital A/c 10,000 To Tarun's Capital A/c 10,000 To Amar's Capital A/c 10,000 (Being Investment Fluctuation Reserve distributed)
Iii	When its Market Value is Rs. 3,70,000	**c**	Investments A/c Dr.24,000 To Revaluation A/c 24,000 (Being Investments revalued)
Iv	When its Market Value is Rs. 3,10,000.	**d**	Investment Fluctuation Reserve A/c Dr.60,000 To Nitin's Capital A/c 20,000 To Tarun's Capital A/c 20,000 To Amar's Capital A/c 20,000 (Being Investment Fluctuation Reserve distributed)

1) i-c, ii-a, iii-d, iv-b

2) i-a, ii-b, iii-c, iv-d

	3) i-b, ii-c, iii-a, iv-d 4) i-d, ii-c, iii-b, iv-a
19	**Match the following**:

A, B and *C* are partners sharing profits and losses in the ratio of 5 : 4 : 1. Calculate new profit-sharing ratio, sacrificing ratio and gaining ratio in each of the following cases:

I	*C* acquires 1/5th share from *A*	**a**	A:B:C=4:3:3
Ii	*C* acquires 1/5th share equally form *A* and *B*.	**b**	A:B:C=9:4:7
Iii	*A* and B sacrifice 5/30 and 2/30 ; C gains 7/30	**c**	A:B:C=3:4:3
Iv	*C* acquires 1/10th share of *A* and 1/2 share of *B*.	**d**	A:B:C=1:1:1

1) i-c, ii-a, iii-d, iv-b
2) i-a, ii-b, iii-c, iv-d
3) i-b, ii-c, iii-a, iv-d
4) i-d, ii-a, iii-b, iv-c

20. 1. Match the following:-

1.Accumulated profits	a. means change in value of assets, ie., present value being different from that of book value.
2.reserve	b. means amount set aside out of profits to meet a contingency or to strengthen the financial position of the firm.
3.Revalualtion of assets	c. means re assessing the liabilities ie., whether the liability is more or less than that shown in the books of accounts
4.Re assessment of liabilities	d. means profits of the firm that have not been distributed among the partners.

e. 1.d;2.b;3.a;4.c
f. 1.a;2.c;3.d;4.b
g. 1.b;2.d;3.a;4.c

	h. 1.c;2.a;3.b;4.d

ANS	1 i	2 ii	3 iii	4 ii	5 i	6 a	7 a	8 c	9 c	10 d
	11 d	12 b	13 c	14 d	15 a	16 a	17 3	18 4	19 1	20 a

	CHAPTER 3 ADMISSION OF A PARTNER
1	Share of goodwill brought by new partner in cash is shared by old partners in" a) Ratio of sacrifice b) Old profit sharing ratio c) New profit sharing ratio d) None of these
2	A new partner can be admitted only when: a) Majority decision b) Consent of managing partner c) Approval of Registrar of firm d) Existing partners unanimously agree for it
3	Increase in the value of assets at the time of admission of a partner is: a) Debited to Revaluation A/c b) Credited to Partners' capital A/c c) Credited to Revaluation A/c d) Debited to Profit and Loss Appropriation A/c
4	Admission of a partner results in: a) Revaluation of partnership b) Realization of partnership c) Reconstitution of partnership d) None of these
5	At the time of admission existing Profit and Loss A/c is distributed among the partners in the: a) Sacrificing ratio b) Gaining ratio c) Old profit sharing ratio d) New profit sharing ratio
6	If, at the time of admission , the revaluation A/c shows a profit, it should be credited to : (A) Old partners capital account in the old profit sharing ratio. (B) All partners capital accounts in the new profit sharing ratio. (C) Old partners capital accounts in the new profit sharing ratio. (D) Old partners capital accounts in the sacrificing ratio.
7	A and B are partners of partnership firm sharing profits in the ratio of 3:2 respectively. C was admitted for $1/5^{th}$ share of profit. Machinery would be appreciated by 10% (book value Rs.80,000) and building would be depreciate by 20%(Rs.2,00,000). Unrecorded debtors of Rs.1,250 would be brought into books now and a creditor amounting to Rs.2,750 died and need not part anything on this account. What will be profit/loss on revaluation? (A) Loss Rs.28,000 (B) Loss Rs.40,000

	(C) Profits Rs.28,000 (D) Profits Rs.40,000
8	A and B are in partnership sharing profits in the ratio of 3: 2. They take a new partner. Goodwill of the firm is valued at Rs. 3,00,000 and C bring Rs.30,000 as his share of goodwill in cash which is entirely credited to Capital Account of A. New Profit sharing ratio will be: (A) 3 : 2: 1 (B) 6 : 3 :1 (C) 5 : 4 : 1 (D) 4 : 5 : 1
9	A, B and C are partners sharing profits in ratio of 3 : 2 : 1. They agree to admit D into the firm. A , B and C agreed to give $1/3^{rd}$, $1/6^{th}$,$1/9^{th}$ share of their profit. The share of profit of D will be : (A) 1/10 (B) 11/54 (C) 12/54 (D) 13/5
10	1. A and B are partners sharing profits and losses in the ratio of 5 : 3 . On admission, C brings Rs.70,000 as cash and Rs.43,000 against Goodwill. New profit ratio between A, B and C is 7 : 5 : 4. The sacrificing ratio of A and B is : (A) 3 : 1 (B) 1 : 3 (C) 4 : 5 (D) 5 : 9
11	At the time of admission profit on revaluation of assets and reassessment of liabilities is transferred to: a) Capital A/c of all partners b) Capital A/c of old partners c) Capital A/c of new partners d) Liability side of balance sheet
12	Arrange in correct sequence the treatment of admission of a partner. i) Preparation of partners' capital A/c ii) Calculation of sacrificing ratio iii) Adjustment of goodwill iv) preparation of revaluation A/c a) iii , I , ii , iv b) ii , iii , iv , i c) I , ii, iv, iii
13	Match the following items at the time of admission:

i)	Increase in value of machinery	a)	Dr. to Partners' capital A/c
ii)	Unrecorded outstanding repair bill	b)	Cr. To partners 'capital A/c
iii)	General reserve	c)	Dr. to Revaluation A/c

iv	Profit and Loss A/c(Dr)	d)	Cr. To Revaluation A/c

a) i)- c ii)- a iii) – b iv) –d

b) i) – d ii) – c iii) – a iv) – b

c) i) – d ii)- c iii) – b iv) – a

d) i) – b ii) – d iii) a iv)- c

14

1. Match the following items :

a)	Revaluation A/c	i)	Personal A/c
b)	Partners' Capital A/c	ii)	Real A/c
c)	Goodwill	iii)	Revaluation A/c
d	Profit and loss adjustment A/c	iv)	Nominal A/c

a) a-ii) b- iv) c - i) d – iii)
b) a- iv) b – iii) c – i) d – i)
c) a – iv) b – i) c – ii) d – iii)
d) a- iii) b – i) c – iv) d – ii)

15

10. Match the following items :

a)	Goodwill appearing in the books at the time of admission	i)	New partner's Capital A/c Dr. To Sacrificing Partners' capital A/c
b)	When new partner brings his/her share of goodwill in cash	ii)	No entry passed in the books of accounts
c)	When new partner is unable to bring his/her share of goodwill in cash	iii)	Premium for goodwill A/c Dr. To sacrificing partners' capital A/c
d)	When new partner brings his/her share of goodwill in cash and paid privately	iv)	Written off in old profit sharing ratio

a) a- iii) b- i) c- ii) d – iv)
b) a- iv) b – iii) c – i) d – ii)
c) a – iv) b – iii) c – ii) d – i)
d) a – ii) b – iv) c – i) d – iii)

16

1. Match the columns (at the time of admission of partners situations)

Column I (Items/Transaction)	Column II (Entry)

A. Increase in Liabilities	(i) Credit – Revaluation Account
B. Bad Debts recovered	(ii) Credit – Partner's Capital Account
C. Accumulated losses	(iii) Debit – Revaluation Account
D. Profit and loss (Cr)	(iv) Debit – Partners' Capital Account

	A	B	C	D
(a)	(iii)	(i)	(ii)	(iv)
(b)	(i)	(iii)	(iv)	(ii)
(c)	(i)	(iii)	(ii)	(iv)
(d)	(iii)	(i)	(iv)	(ii)

17 Match the columns for situations at the time of admission of new partners.

Column I (Items/Transaction)	Column II (distribution)
A. Future Profits	(i) Old ratio
B. General reserve	(ii) New ratio
C. Employee provident fund	(iii) Sacrificing ratio
D.Goodwill of incoming partner	(iv) Not distributed

	A	B	C	D
a.	(i)	(ii)	(iii)	(iv)
b.	(i)	(ii)	(iv)	(iii)
c.	(ii)	(i)	(iv)	(iii)
d.	(ii)	(i)	(iii)	(iv)

18 Match the following: for situations at the time of admission of new partners.

Column I (Items/Transaction)	Column II (distribution)
i) Sacrificing Ratio	A. Nominal account
ii) Gaining Ratio	B. Reconstitution of Partnership
iii)Revaluation Account	C. New Ratio – Old Ratio
iv)Admission of Partner	D. Old Ratio – New Ratio

a) i-B, ii-C, iii-A, iv-D
b) i-D, ii-B iii-A, iv-C
c) i-D, ii-C, iii-A, iv-B
d) i-D, ii-C, iii-B, iv-A

19	Sacrificing ratio use to distribute ----------- in case of admission of a partner (A) Reserves (B) Goodwill (c) Revaluation profit (D) Balance in profit and loss account
20.	**Arrange in correct sequence**: Following steps arrange in the sequence for calculation of hidden Goodwill of the firm. (1) Calculate total capital of the new firm on the basis of capital brought in by new partner. (2) Existing Partners total capital (3) Deduct existing total capital of the partners from total capital of the new firm is hidden Goodwill of the firm. (a) 3 ,1, 2 (b) 1 , 2, 3 (c) 2, 2, 1 (d) 1, 3, 2
ANS	ANSWERS

1.a	2.d	3.c	4.c	5.c	6.a	7.a	8.c	9.d	10.a
11.b	12.c	13.c	14.c	15.b	16.d	17.c	18.c	19.b	20.b

CHAPTER 4 SHARE CAPITAL

1	A company invited applications for 25,000 equity shares of 10 each and received 30,000 applications along with the application money of 4 per share. Which of the following alternatives can be followed? I. Refund the excess applications II. Make pro rata allotment to all the applicants, and refund the excess application money III. Not to allot any shares to some applicants, full allotment to some of the applicants and pro rata allotment to the rest of the applicants. IV. Not to allot any shares to some applicants & make pro rata allotment to other applicants. V. Make pro rata allotment to all the applicants and adjust the excess money received towards call money. (a) Only (II) above (b) Both (I) and (IV) above (c) All (I), (II), (III), (IV) and (V) above (d) Only (III) above
2	At the time of forfeiture of shares which were originally issued at a discount, the accounting entry involves ________________. I. A debit to Share Capital Account with the called up value of shares forfeited II. A credit to Share Forfeiture Account with the amount received on forfeited shares III. A credit to discount on issue of shares with the amount of discount allowed on forfeited shares IV. A credit to calls in arrears with the amount due but not paid on forfeited shares (a) Both (I) and (IV) above (b) Both (IV) and (III) above (c) Both (I) and (II) above (d) (I), (II), (III) and (IV) above
3	Arrange the following sentences in sequence: (i)Receiving calls amount (ii)Receiving applications (iii)Issuing prospectus (iv)Allotment of shares (a)I,ii,iii,iv (b)ii,iii,iv,I (c)iii,ii,iv,i (d)iii,iv,ii,i
4	4,000 Equity Shares of Rs. 10 each were issued at 8% premium to the promoters of a company for their services. Goodwill Account/ incorporation Cost Account will be debited with ? (A) Rs.40,000 (B) Rs.43,200 (C) Rs.3,200 (D) Rs.36,800
5	A Company issued 50,000 shares of 20 each at 5% premium,10 were payable on application and balance on allotment. What will be the allotment amount? (A) Rs.500,000 (B) Rs.4,75,000 (C) Rs.550000 (D) Rs.5,25,000
6	The subscribed capital of a company is Rs.80,00,000 and the nominal value of the share is 100 each. There were no calls in arrear till the final call was made. The final call made was paid on 77,500 shares only. The balance in the calls in arrear amounted to 62,500. Calculate the final call on share.

	(A) 27 (C) 22 (B) 20 (D) 25
7	A Company invited applications for 1,00,000 shares and it received applications for 1,50,000 shares. Applications for 30,000 shares were rejected and the remaining were allotted shares on prorata basis. How many shares an applicant for 3,000 shares will be allotted (A) 2,500 Shares (C) 4,500 Shares (B) 3,600 Shares (D) 2,000 Shares
8	If a share of ₹10 issued at a premium of ₹3 on which the full amount has been called and ₹8 (including premium) paid is forfeited the capital account should be debited with: (A) ₹5 (B) ₹8 (C) **₹10** (D) ₹13
9	According to Section 52 of the Companies Act, the amount in the Securities Premium Account cannot be used for the purpose of: (a) Issue of fully Paid Bonus Shares (**b) Writing Off Losses of the Company** (c) Writing off Preliminary Expenses (d) Writing Off Commission or Discount on Issue of Shares.
10	Rights Issue are the shares, which : (a) Are issued to the Direction of the company **(b) Are issued to existing shareholders of the company** (c) Are issued to promoters in consideration of their services (d) Are issued to the vendors for purchasing assets.
11	If vendors are issued fully paid shares of ₹ 1,00,000 in consideration of net assets of ₹ 1,20,000 the balance of ₹ 20,000 will be credited to : (a) Goodwill Account (b) **Securities premium account** (c) Vendor's Account (d) Profit & Loss Account
12	A company is registered with a share capital of ₹ 1,00,000 divided into ₹ 10,000 shares of ₹ 10 each. Of these shares 9,990 shares are held by Rajeev and 10 Shares are held by Sanjay. In the eye of law it is treated as:

	(a) Partnership (b) **Private Company** (c) Public Company (d) Government Company
13	Match the following:

A) Minimum Subscription	i. Pro-rata allotment
B)Over subscription	ii. The number of shares applied for, is equal to the number of shares offered for subscription
C) Full Subscription	iii. The number of shares applied for, is less than the number of shares offered for subscription
D)Under subscription	iv. It is the amount stated in the prospectus as the minimum amount that must be subscribed

(a) A-iv,B-ii,C-iii D-i
(b) A-ii,B-i,C-iv D-iii
(c) A-iii,B-ii,C-i D-iv
(d) A-iv,B-i,C-ii D-iii

14 Match the following:

A) Issue shares to promoters	i. Bank A/c Dr Share Forfeiture A/c Dr To Share Capital A/c
B) Reissue of shares	ii.Goodwill A/c Dr To Share capital
C)Forfeiture of shares	iii.Vendor A/c Dr To Share capital
D) Issue shares for consideration other than cash	iv.Share capital A/c Dr To Share forfeiture A/c To Calls in arrear

(a)A-i,B-ii,C-iii,D-iv

(b) A-ii,B-i,C-iv,D-iii

(c) A-ii,B-iv,C-i,D-iii

(d) A-ii,B-iii,C-iv,D-i

15 A company purchased a machinery of Rs.2,75,000 from a vendor and issued shares of Rs.10 each to the vendor. Match the following:

Shares issued at	No of shares issued
A) par	i.34,375
B) premium of 10%	ii. 22,000

C) discount of 20%	iii.27,500
D) premium of Rs. 2.50	iv.25,000

(a)-iii,B-iv,C-i,D-ii

(b) A-iii,B-i,C-iv,D-ii

(c) A-iv,B-ii,C-i,D-iii

(d) A-iii,B-i,C-ii,D-iv

16 A company issued 10000 shares of ₹10 each payable ₹3 on application, -₹4 on allotment, ₹3 on first call and the balance on final call.

MATCH THE FOLLOWING:

GROUP A	GROUP B
(i) OVER SUBCRIPTION	(A) The company received Rs.29400 towards application money.
(ii) UNDER SUBSCRIPTION	(B) the company received 10000 applications
(iii) NORMAL SUBSCRIPTION	(C)The company received ₹60000 as application money
(iv) MINUMUM SUBSCRIPTION	(D)The company received 9000 applications only

Choose the correct option:

1. (i)-(C), (ii) -(A), (iii)-(B), (iv)-(D)
2. (i)-(A), (ii) -(B), (iii)-(C), (iv)-(D)
3. (i)-(D), (ii) -(C), (iii)-(A), (iv)-(B)
4. (i)-(B), (ii) -(D), (iii)-(B), (iv)-(A)

17 **MATCH THE FOLLOWING:**

A	B
(i) Amount called but not paid by the shareholders	(A) Calls in advance
(ii) Amount not called up but paid by the share holder	(B) Calls in arrears
(iii) Amount called and paid by the share holder	(C) Reserve capital
(iv) Amount not called and not paid by the shareholder	(D) Paid up capital

- Choose the correct option:

1. (i)-(B), (ii) -(A), (iii)-(D), (iv)-(C)
2. (i)-(A), (ii) -(B), (iii)-(C), (iv)-(D)
3. (i)-(D), (ii) -(C), (iii)-(A), (iv)-(B)
4. (i)-(B), (ii) -(D), (iii)-(B), (iv)-(A)

18

MATCH THE FOLLOWING

	A	B
(i)	Cumulative preference shares	(A) Repaid after some time
(ii)	Participating preference shares	(B) Converts into equity shares
(iii)	Redeemable preference shares	(C) Dividend accumulates if not paid
(iv)	Convertible preference shares	(D) Get share in surplus profit.

1. (i)-(B), (ii) -(A), (iii)-(C), (iv)-(D)
2. (i)-(C), (ii) -(D), (iii)-(A), (iv)-(B)
3. (i)-(C), (ii) -(D), (iii)-(B), (iv)-(A)
4. (i)-(B), (ii) -(D), (iii)-(C), (iv)-(A)

19 B Limited was registered with the share capital of ₹ 1 crore divided into equity shares of ₹ 10 each. It issued 9,00,000 equity shares to the general public at par payable as to ₹3 an application ₹3 allotment and balance in two equal calls.. The public had subscribed for 8, 50,000 shares. Till 31st March 2021 only first call had been made. All the money on the shares were received except from Mr. C a holder of 25,000 shares who did not pay call.

MATCH THE FOLLOWING:

	A		B
(i)	AUTHORISIED CAPITAL	(A)	₹ 1,50,000
(ii)	ISSUED CAPTIAL	(B)	₹ 66,00,000
(iii)	SUBSCRIBED CAPITAL FULLY PAID UP	(C)	₹ 90,00,000
(iv)	SUBSCRIBED NOT FULLY PAID UP	(D)	₹1,00,00,000

Choose the correct option:

1. (i)-(D), (ii) -(C), (iii)-(B), (iv)-(A)
2. (i)-(A), (ii) -(B), (iii)-(C), (iv)-(D)
3. (i)-(D), (ii) -(C), (iii)-(A), (iv)-(B)

	4. (i)-(B), (ii) -(D), (iii)-(B), (iv)-(A)
20	If the applications are oversubscribed then allotment can be made as follows: 1. Excess application will be rejected. 2. Excess application will be fully adjusted towards allotment and calls 3. Excess applications will be partially rejected and partially adjusted towards allotment and calls. 4. Excess applications will be allotted in full without rejecting. a. All 1,2,3 and 4 are correct b. 1,2,3 are correct and the 4 is incorrect. c. Only 1 and 2 are correct remaining 3 and 4 are incorrect Only 2 and 3 are correct remaining are incorrect
21	If the shareholder fails to pay the call money then his/her shares will be forfeited and the Directors after passing a resolution in the board meeting the forfeited shares can be reissued if authorized by its Articles of Association of the company. 1. Forfeited shares can be reissued at discount 2. Forfeited shares can be reissued at premium 3. Forfeited shares can be reissued at par 4. Forfeited shares cannot be reissued a. All 1,2,3 and 4 are correct b. 1,2,3 are correct and the 4 is incorrect. c. Only 1 and 2 are correct remaining 3 and 4 are incorrect d. Only 2 and 3 are correct remaining are incorrect
22	What is the correct sequence of events? 1. The company forfeited shares for non-payment of final call. 2. The company allotted the shares on pro rata basis. 3. The company reissued the forfeited shares at discount/par/premium. 4. The company issued equity shares of ₹10 payable as follows: application (A) ₹2, allotment (A) ₹3 and the balance on calls. a. 4,2,1,3 b. 1,2,3,4 c. 3,2,1,4 d. 1,3,4,1

ANS		Q	Answer Key	
		1	(c) All (I), (II), (III), (IV) and (V) above	
		2	d) (I), (II), (III) and (IV) above	
		3	(c)iii, ii, iv, i	
		4	(B) Rs.43,200	
		5	(C) Rs.550000	
		6	(D) 25	
		7	(A) 2,500 Shares	
		8	(C) ₹10	
		9	B) Writing Off Losses of the Company	
		10	(b) Are issued to existing shareholders of the company	
		11	(b) Securities premium account	
		12	(b) Private Company	
		13	(d) A-iv,B-i,C-ii D-iii	
		14	(b) A-ii,B-i,C-iv D-iii	
		15	(a) A-iii,B-iv,C-i,D-ii	
		16	1. (i)-(C), (ii) -(A), (iii)-(B), (iv)-(D)	
		17	1. (i)-(B), (ii) -(A), (iii)-(D), (iv)-(C)	
		18	2. (i)-(C), (ii) -(D), (iii)-(A), (iv)-(B)	
		19	1. (i)-(D), (ii) -(C), (iii)-(B), (iv)-(A)	
		20	a. 1,2,3 are correct and the 4 is incorrect.	
		21	b. 1,2,3 are correct and the 4 is incorrect.	
		22	a. 4,2,1,3	

	CHAPTER 5 ANALYSIS OF FINANCIAL STATEMENTS
1	A company has an operating cycle of 12 months. It has accounts payable amounting to ₹10,00,000 out of which ₹7,00,000 have a maturity period of 15 months. How would this information be presented in the Balance sheet? a) ₹7,00,000 as current liabilities and ₹3,00,000 as non-current liabilities b) ₹3,00,000 as current liabilities and ₹7,00,000 as non-current liabilities c) ₹10,00,000 as non-current liabilities d) ₹10,00,000 as non-current liabilities
2	Debit Balance of Profit & Loss Statement will be shown on: (a) Assets Side of Balance Sheet (b) Liabilities Side of Balance Sheet (c) Under the head Reserve & Surplus (d) Under the head Reserves and Surplus as a negative item
3	Contingent Liabilities are exhibited under the heading: (a) Non-current Liabilities (b) Current Liabilities (c) In the Notes to Accounts (d) Current assets
4	Dividend is usually paid : (a) On Authorised Capital (b) On Issued Capital (c) On Paid-up Capital (d) On Called-up Capital
5	With the permission of Registrar of Companies,, accounting period can be extended up to a) 12 months b) 15 months c) 15 months d) 18 months
6	Match the items given in Column I with the headings/ subheadings (Balance sheet) as defined in Schedule III of Companies Act2013.

Column I	Column II
(i)Loose tools	(a)Long term borrowings
(ii)Cheque in hand	(b)Fixed assets- Intangible

(iii)Term loan from Bank	(c)Inventories
(iv)Computer software	(d)Cash & Cash equivalents

Choose the correct option:

a) (i)-(c),(ii)-(d),(iii)- (a), (iv)-(b)

b) (i)-(d), (ii)-(c),(iii)- (b), (iv)- (a)

c) (i)-(a),(ii)-(b),(iii)-(c) ,(iv)-(d)

d) (i)-(b),(ii)-(a),,(iii)-(d), (iv)-(c)

7 Match the items given in Column I with the headings/ subheadings (Statement of Profit & Loss) as defined in Schedule III of Companies Act2013.

Column I	Column II
(i) Sale of goods	(a)Depreciation & amortisation
(ii)Interest earned	(b)Finance cost
(iii) Salaries & wages	(c) Revenue from operation
(iv) Goodwill written off	(d) Other income

Choose the correct option:

a) (i)-(a),(i)- (b), (iii)-(c), (iv)- (d)

b) (i)-(c),(ii)-(d), (iii)-(b), (iv)- (a)

c) (i)- (d),(ii)-(c),(iii)-(a) ,(iv)- (b)

(i)-(b) ,(ii)- (a),(iii)-(d), (iv)-(c)

8 Match the items given in Column I with the headings/ subheadings (Balance sheet & Statement of Profit & Loss) as defined in Schedule III of Companies Act2013.

Column I	Column II
(i)Commission paid on deposit mobilization	a)Other current assets
(ii)Un amortised loss on issue of debentures (to be written off within 12 months of the date of Balance sheet)	(b)Other income
(iii) Loss on sale of Vehicles	c) Finance cost
(iv)Profit on sale of investments	(d) Other Expenses

Choose the correct option:

a) (i)-(b),(ii)-(a) ,(iii)- (d), (iv)-(c)

b) (i)-(a),(ii)-)b), (iii)-(c), (iv)- (d)

c) (i)-(d), (ii)- (c),(iii)-(b), (iv)- (a)

	(i)-(c),(ii)- (a) ,(iii)-(d) ,(iv)-(b)
9	What will be the correct sequence of arrangement of items in the Notes to Accounts (i)Subscribed but not fully paid up capital (ii) Authorised Capital (iii) Subscribed and fully paid up capital (iv)Issued capital Options: a) (ii),(iv),(iii), (i) b) (i) ,(ii),(iii), (iv) c) (iii),(i),(iv), (iii) (iv),(ii),(i), (iii)
10	What will be the correct sequence of arrangement of items (i) Profit before tax (ii) Revenue from operations (iii) Profit after tax (iv) Expenses Options: a) (i),(ii),(iii),(iv) b) (ii),(i),(iv),(iii) c) (ii),(iv),(i),(iii) d) (iv), (iii),(ii),(i)

	ANSWERS
1.	b)₹3,00,000 as current liabilities and ₹7,00,000 as non-current liabilities
2	d)Under the head Reserves and Surplus as a negative item
3	(c) In the Notes to Accounts
4	(c) On Paid-up Capital
5	d) 18 months
6	a) (i)-(c),(ii)-(d),(iii)- (a), (iv)-(b)
7	b) (i)-(c),(ii)-(d), (iii)-(b), (iv)- (a)
8	d)(i)-(c),(ii)- (a) ,(iii)-(d) ,(iv)-(b)
9	a) (ii),(iv),(iii), (i)
10	c)(ii),(iv),(i),(iii)

CHAPTER 6 RATIO ANALYSIS

1 Match the following:

i)	Current Liabilities + Working Capital	(a)	Capital Employed
(ii)	Total Assets - Current Liabilities	(b)	Share Holders Funds
(iii)	Share Capital + Reserves & Surplus	(c)	Current Assets

1. (i)(a) (ii)(c) (iii)(b)
2. (i)(b) (ii)(a) (iii)(c)
3. (i)(c) (ii)(a) (iii)(b)
4. (i)(c) (ii)(b) (iii)(a)

2 Proprietary ratio is 0.4: 1. What will be the impact on the following:

(i)	Issue of equity shares against purchase of machinery	(a)	no change
(ii)	Issue of debentures against purchase of machinery	(b)	decrease
(iii)	Sale of fixed assets costing ₹ 5,00,000 for ₹ 4,00,000	(c)	increase

1. (i)(b) (ii)(c) (iii)(c)
2. (i)(a) (ii)(c) (iii)(a)
3. (i)(c) (ii)(a) (iii)(b)
4. (i)(b) (ii)(b) (iii)(a)

3 Quick asset does not include:

a) Cash in Hand
b) Prepaid Expenses
c) Marketable Securities
d) Trade and Receivables

i) (a), (b), (d)

ii) only (c)

iii) only (b)

	iv) (b) & (c)
4	If the inventory turnover ratio is divided by 365, it becomes a measure of: a) Self Sufficiency b) Average Age of Inventory c) Sales Turnover d) Average Collection Period
	(i) (a), (d) (ii) only (c) (iii) (b), (c) (iv) only (d)
5	Following extract belongs to a company. Inventory in the beginning of the Year ₹ 60,000. Inventory at the end of the year ₹ 1,00,000. Inventory turnover ratio 8 times. Selling price 25% above cost. Compute gross profit?
	a) ₹ 12,00,000 b) ₹ 1,60,000 c) ₹ 2,00,000 d) ₹ 1,80,000
6	Z Ltd liquidity ratio is 2.5 : 1. inventory is ₹ 6,00,000. current ratio 2.5 : 1. find current liabilities. a) ₹ 4,00,000 b) ₹ 6,00,000 c) ₹ 2,50,000 ₹ 4,50,000
7	Debt equity ratio is 2 ; 1, which of the following will decrease this: a) Issue of new shares for cash b) Conversion of debentures into equity shares c) Sale of fixed asset at a profit d) Purchase of fixed asset on long term referred payment basis.
	i) a, b, c, d ii) only a & b

	iii) only a, b, c iv) only d	
8	Calculate cost of revenue from operations from the following: Revenue from operations ₹ 12,00,000. Operating ratio 75%. Operating expense ₹ 1,00,000.	
	a) ₹ 11,00,000 b) ₹ 10,50,000 c) ₹ 7,50,000 d) ₹ 8,00,000	
9	A company has a capital employed ₹ 12,00,000. Net fixed asset ₹ 8,00,000. Cost of goods sold ₹ 40,00,000. Gross profit is 20% on cost. Compute working capital turnover ratio?	
	a) 16 times b) 12 times c) 10 times d) 18 times	
10	A company's current ratio is 3 : 1 and liquidity ratio is 1.2 : 1. If its current liability are ₹ 2,00,000. What will be the value of inventory?	
	a) ₹ 2,40,000 b) ₹ 3,60,000 c) ₹ 4,00,000 d) ₹ 40,000	

Answers	
1	3
2	1
3	Iii
4	Iv
5	B
6	a
7	Iii

		8	d	
		9	b	
		10	B	