

Maharashtra State Board
Book Keeping & Accountancy
Sample Question Paper – 3
Academic Year: 2024-2025

Note:

1. All Questions are compulsory.
2. The figure to right indicates marks.
3. Draw concept maps with pens on the Answer sheet.
4. Start a new question on a new page.

Q1 | Attempt all of the following sub-questions:

1.A | Select the correct options and rewrite the statements:

1.A.1. A, B and C are sharing profits and losses in the ratio of $\frac{1}{2}$, $\frac{3}{10}$, and $\frac{1}{5}$ respectively. Find the new ratio of the remaining partners if A retires ____.

1. 5 : 2

2. 3 : 2

3. 5 : 3

4. 2 : 5

Solution:

A, B and C are sharing profits and losses in the ratio of $\frac{1}{2}$, $\frac{3}{10}$, and $\frac{1}{5}$ respectively. Find the new ratio of the remaining partners if A retires **3:2**.

1.A.2. This displays the balance day-wise for a selected voucher type.

1. Record Book

2. Ledger book

3. Journal book

4. Day book

Solution:

This displays the balance day-wise for a selected voucher type - **Day book**.

1.A.3. In case of dissolution assets and liabilities are transferred to ____ A/c.

1. Bank A/c
2. Partner's capital A/c

3. Realisation A/c

4. Partner's current A/c

Solution:

In case of dissolution, assets and liabilities are transferred to **Realisation** A/c.

Explanation: All the assets (except cash or bank balances) are transferred to the debit side, whereas all the liabilities (except bank overdraft) are transferred to the credit side of Realisation Account. Thereafter, at the time of realisation, the assets so realised are shown on the credit side and the settlement of liabilities is shown on the debit side.

1.A.4. The Indian Partnership Act is in force since ____.

1. 1933

2. 1932

3. 1956

4. 1934

5. 1984

6. 2000

7. 1981

Solution:

The Indian Partnership Act is in force since **1932**.

Explanation: The Indian Partnership Act came into force on 1st October 1932 which is applicable to the whole of India except the state of Jammu and Kashmir.

1.A.5. Decrease in the value of assets should be _____ to Profit and Loss Adjustment Account.

1. Debited

2. Credited
3. Added
4. Equal

Solution:

Decrease in the value of assets should be **debited** to Profit and Loss Adjustment Account.

Q1.B | Calculate the following questions:

1.B.1. Nisha's acceptance for ₹ 16,850 sent to bank for collection was honoured and bank charges debited were ₹ 125. Find out the amount actually received by Drawer.

Solution:

Bill of ₹ 16,850 sent to bank for collection and it is honoured and bank charges = ₹ 125

So, actual amount received by drawer = 16,850 – 125

= ₹ 16,725.

1.B.2. Salary ₹ 10,000, outstanding salary ₹ 5,000. Calculate the salary to be debited to Income and Expenditure Account.

Solution:

Dr.	Income and Expenditure Account				Cr.
Particulars	Amt ₹	Amt ₹	Particulars	Amt ₹	Amt ₹
To Salary	10,000				
Add: Outstanding Salary	5,000	15,000			

1.B.3. Company received excess application for 5000 shares @ ₹4 per share. Applications of 1000 shares were rejected and pro-rata allotment was made. Calculated the amount of application money adjusted with allotment.

Solution:

Excess application money received for 5000 shares @ ₹ 4 per share	= ₹ 20,000
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Less: Application of 1000 shares rejected and money refunded	= ₹ 4,000
Excess money received to be adjusted with allotment	= ₹ 16,000

1.B.4. Current Liabilities = ₹ 3,00,000

Working Capital = ₹ 8,00,000

Inventory = ₹ 2,00,000

Calculate Quick Ratio.

Solution:

Current assets = Current liabilities + Working capital

= 3,00,000 + 8,00,000

= ₹ 11,00,000

Quick assets = Current assets – Inventory

= 11,00,000 – 2,00,000

= ₹ 9,00,000

Quick liability = Current liabilities – Bank O / D

= ₹ 3,00,000

Quick ratio = $\frac{\text{Quick assets}}{\text{Quick liabilities}}$

= $\frac{9,00,000}{3,00,000}$

= $\frac{3}{1}$

= 3: 1

1.B.5. Anika and Riddhi are partners sharing profits in the ratio of 5:1. They decide to admit Sanika in the firm for 1/5th share. calculate the sacrifice ratio of Anika and Riddhi.

Solution:

Balance – 1 = 1 – share of new partner

$$= 1 - \frac{1}{5}$$

$$= \frac{4}{5} \text{ (Remaining share)}$$

New ratio = Old ratio × Balance of 1

$$\text{Anika's New ratio} = \frac{5}{6} \times \frac{4}{5} = \frac{20}{30}$$

$$\text{Riddhi's New ratio} = \frac{1}{6} \times \frac{4}{5} = \frac{4}{30}$$

$$\text{Sanika's New ratio} = \frac{1}{5} \times \frac{6}{6} = \frac{6}{30} \text{ (Making denominator equal)}$$

$$\therefore \text{New Profit and Loss ratio} = \frac{20}{30} : \frac{4}{30} : \frac{6}{30}$$

$$= 20 : 4 : 6 \text{ i.e. } 10 : 2 : 3$$

Sacrifice ratio = old ratio – New ratio

$$\text{Anika's Sacrifice ratio} = \frac{5}{6} - \frac{20}{30} = \frac{25 - 20}{30} = \frac{5}{30}$$

$$\text{Riddhi's Sacrifice ratio} = \frac{1}{6} - \frac{4}{30} = \frac{5 - 4}{30} = \frac{1}{30}$$

$$\therefore \text{Sacrifice ratio} = \frac{5}{30} : \frac{1}{30} = 5 : 1$$

Q1.C | Do you agree or disagree with the following statements :

1.C.1. Do you agree or disagree with the following statement:-

Rebate or discount given on retiring a bill is an income to the Drawee.

1. Agree

2. Disagree

Solution:

I **Agree** with this statement.

1.C.2. State whether you agree or disagree with following statement:

Directors can re-issue forfeited shares.

1. Agree

2. Disagree

Solution:

I **Agree** with this statement.

1.C.3. Do you agree or disagree with the following statement:

A bill of exchange is a conditional order.

1. Agree

2. Disagree

Solution:

This statement is **Disagree**.

1.C.4. State whether the following statement is True or False.

On dissolution Cash or Bank Account is closed automatically.

1. True

2. False

Solution:

This statement is True.

Explanation: On dissolution, the Cash or Bank Account is closed automatically because if the capital accounts show any balance, then such balance is transferred to the Cash or Bank Account. This is done so that both the sides of the Cash or the Bank Account show the same balance. This is because of the double-entry system of book-keeping.

1.C.5. State whether the following statement is True or False with reasons.

Not for Profit concerns do not prepare Balance Sheet.

1. True

2. False

Solution:

This statement is **False**.

Explanation: To know the organisation's financial position at the end of the particular period Not for Profit concerns, prepare a Balance Sheet.

Q1.D | Complete the following sentences :

1.D.1. Retiring Partner's share of goodwill is ____ to remaining Partner's Capital Account.

Solution:

Retiring Partner's share of goodwill is Debited to remaining Partner's Capital Account.

1.D.2. Deceased partner share of profit up to the death is shown on ____ side of Balance Sheet.

Solution:

Deceased partner share of profit up to the death is shown on Asset side of Balance Sheet.

1.D.3. The balance of Drawings Account of a partner is transferred to his ____ account under the Fixed Capital Method.

Solution:

The balance of Drawings Account of a partner is transferred to his current account under the Fixed Capital Method.

1.D.4. Trading Account is prepared on the basis of is _____ expenses.

Solution:

Trading Account is prepared on the basis of is direct expenses.

1.D.5. The transactions recorded in Income and Expenditure Account are related only to the ____ year.

Solution:

The transactions recorded in Income and Expenditure Account are related only to the Current year.

Q2.A. Kale, Gore and Pandhare were partners in Shyam Traders, Pune sharing Profit and Losses in the ratio 3:3:2. Their Balance Sheet as on 31st March, 2019 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
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Capital A/c:		Building	10,000
Kale	11,000	Plant & Machinery	10,700
Gore	15,000	Livestock	10,000
Pandhare	8,000	Debtors	5,000
Creditors	8,900	Stock	6,600
Bills Payable	2,000	Bank	6,600
Reserve Fund	4,000		
	48,900		48,900

On 1st April 2019, Mr. Pandhare retired from the firm on the following terms:

1. Assets to be revalued as Stock ₹ 6,300, Plant and Machinery ₹ 10 000
Livestock ₹ 10,200.
2. Goodwill of the firm is to be valued at ₹ 4,000. however only Pandhare's share
in it is to be raised in the books and written off immediately.
3. RDD to be maintained at 10% on debtors.
4. ₹ 100 to be written off from Creditors.
5. The amount payable to Mr. Pandhare to be transferred to his Loan Account.

Prepare: Profit and Loss Adjustment Account, Partners Capital Account, Balance Sheet of new firm.

Solution:

In the Books of Shyam Traders, Pune				
Dr.	Profit and Loss Adjustment A/c			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Plant & Machinery A/c	700	By Live Stock A/c		200
To Stock A/c	300	By Creditors A/c		100
To R.D.D	500	By Partners Capital A/c (Loss)		

		Kale	450	1,200
		Gore	450	
		Pandhare	300	
	1,500			1,500

Dr.	Partner's Capital Accounts						Cr.
Particulars	Kale (₹)	Gore (₹)	Pandhare (₹)	Particulars	Kale (₹)	Gore (₹)	Pandhare (₹)
To Goodwill A/c.	500	500	-	By Balance b/d	11,000	15,000	8,000
To P & L Adj. A/c (Loss)	450	450	300	By Reserve Fund A/c	1,500	1,500	1,000
To Loan A/c	-	-	9,700	By Goodwill A/c	-	-	1,000
To Balance c/d	11,550	15,550	-				
	12,500	16,500	10,000		12,500	16,500	10,000

Balance Sheet as on 1st April, 2019					
Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Account:			Building		10,000
Kale	11,550	27,100	Plant & Machinery	10,700	10,000
Gore	15,550		Less: Depreciation	700	

Pandhare's Loan A/c		9,700	Live Stock	10,000	10,200
Creditors	8,900	8,800	Add: Appreciation	200	
Less: Written off	100		Debtors	5,000	4,500
Bills Payable		2,000	Less: R.D.D.	500	
			Stock	6,600	6,300
			Less: Depreciation	300	
			Bank		6,600
		47,600			47,600

OR

2.B. Mandar and Prasad are partners in a firm sharing profit & losses in the ratio of 3 : 2. The following is their balance sheet as on 31st March, 2019.

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital A/c:		Building		72,000
Mandar	95,000	Plant & Machinery		60,000
Prasad	1,00,000	Furniture		10,000
Creditors	4,000	Debtors	42,000	40,000
Bills Payable	3,000	Less: RDD	2,000	
		Bank		20000
	2,02,000			2,02,000

On 1st April, 2019 Shubham is admitted for 1/2 share on the following terms:

- He paid ₹ 1,00,000 as Capital ₹ 40,000 as his shares of goodwill by RTGS.
- Plant & Machinery revalued at ₹ 48,000.
- Building is taken over by Mandar at ₹ 100,000.
- Reserve for Doubtful Debts (RDD) to be increased upto ₹ 4,000.

- v. The old partners decided to retain half of the amount of goodwill in the business.
- vi. The old partners decided to sacrifice equally.

Prepare Partners' Capital Account Only and show your working clearly.

Solution:

Dr.	Partner's Capital Accounts						Cr.
Particulars	Mandar (₹)	Prasad (₹)	Shubham (₹)	Particulars	Mandar (₹)	Prasad (₹)	Shubham (₹)
To Building A/c	1,00,000			By Balance b/d	95,000	1,00,000	
To Bank A/c	10,000	10,000		By Bank A/c			1,00,000
To Balance c/d	13,400	1,15,600	1,00,000	By Goodwill A/c	20,000	20,000	
				By Revaluation A/c (Profit)	8,400	5,600	
	1,23,400	1,25,600	1,00,000		1,23,400	1,25,600	1,00,000

Working Note:

Dr.	Revaluation Account			Cr.
Particulars		Amount (₹)	Particulars	Amount (₹)
To Plant & Machinery		12,000	By Building (Taken by Mandar)	28,000
To RDD		2,000		

To Revaluation profit transferred to Partners Capital A/c:				
Mandar	8,400	14,000		
Shubham	5,600			
		28,000		28,000

Q3.A. A firm consisting of partners Mukund, Sachin and Yuvraj decided to dissolve the partnership They decided to take over certain assets and liabilities and continue the business separately. The Balance Sheet was as under.

Balance Sheet as on 31st March, 2020					
Liabilities		Amount (₹)	Assets		Amount (₹)
Capital A/c:			Furniture		2,000
Mukund	55,000	89,000	Sundry Assets		34,000
Sachin	20,000		Debtors	48,400	46,000
Yuvraj	14,000		Less: RDD	2,400	
Creditors		12,000	Stock		15,600
Loan		3,000	Cash		6,400
		1,04,000			1,04,000

It was agreed as under:

1. Mukund is to take Furniture at ₹ 1,600 and the Debtors amounting to ₹ 40,000 at ₹ 34,400 only. He accepted the Creditors on ₹ 12,000 at that figure.
2. Sachin is to take over all Stock at ₹ 14,000 and Sundry Assets worth ₹ 16,000 at ₹ 14,400 only.
3. Yuvraj is to take over the remaining Sundry Assets at ₹ 16,000 and assume the responsibility for the discharge of the loan together with accrued interest on a loan of ₹ 60, which has not been recorded in accounts.

4. The dissolution expenses were ₹ 540.
5. The remaining debtors realised only ₹ 4,200.
6. The necessary adjustments were made by partners to settle their accounts.

Prepare Realisation Account, Partners Capital Account, and Cash Account, after giving effect to the above adjustments.

Solution:

Dr.	In the books of Firm Realisation Account				Cr.
Particulars		Amount (₹)	Particulars		Amount (₹)
To Sundry Assets A/c:			By Sundry Liabilities A/c:		
Sundry Assets	34,000	1,00,000	Creditors	12,000	15,000
Furniture	2,000		Loan	3,000	
Debtors	48,400		By RDD		2,400
Stock	15,600		By Mukund's Capital A/c:		
To Mukund's Capital A/c: (Creditors)		12,000	Furniture	1,600	36,000
			Debtors	34,400	
To Yuvraj's Capital A/c:			By Sachin's Capital A/c		28,400
Loan	3,000	3,060	Stock	14,000	
Interest on Loan	60		Sundry Assets	14,400	
To Cash (Dissolution Expenses)		540	By Yuvraj's Capital A/c (Sundry Assets)		16,000
			By Cash A/c (Debtors)		4,200
			By Partners' Capital A/c (Loan on		

			Realisation Transferred)		
			Mukund	4,533	13,600
			Sachin	4,533	
			Yuvraj	4,534	
		1,15,600			1,15,600

Dr.	Partner's Capital Accounts						Cr.
Particulars	Mukund (₹)	Sachin (₹)	Yuvraj (₹)	Particulars	Mukund (₹)	Sachin (₹)	Yuvraj (₹)
To Realisation A/c	36,000	28,400	16,000	By Balance b/d	55,000	20,000	14,000
To Realisation A/c (Loss)	4,533	4,533	4,534	By Realisation A/c	12,000		3,060
To Cash A/c	26,467			By Cash A/c		12,933	3,474
	67,000	32,933	20,534		67,000	32,933	20,534

Working Notes:

Dr.	Cash Account		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,400	By Realisation A/c	540
To Realisation A/c	4,200	By Mukund's Capital A/c	26,467
To Sachin's Capital A/c	12,933		
To Yuvraj's Capital A/c	3,474		
	27,007		27,007

OR

3.B. On 1st June, 2019 Pratap sold goods to Sujit worth ₹ 1,82,000. Sujit accepted a bill drawn upon him by Pratap for 2 months for ₹ 1,82,000. Give Journal entires in the book of Pratap and Sujit for the following cases:

- i. Bill is honoured on the due date.
- ii. Bill is dishonoured on the due date.
- iii. Bill is dishonoured on the due date and noting charges ₹ 1,250 paid by Pratap.

Solution:

In the books of Pratap				
Date	Particular	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 June 1	Sujit's A/c ...Dr.		1,82,000	-
	To Sales A/c		-	1,82,000
	(Being goods sold on credit)			
June 1	Bills Receivable ...Dr.		1,82,000	-
	To Sujit's A/c		-	1,82,000
	(Being bill drawn and acceptance received)			
(a) Aug. 4	Bank A/c ...Dr.		1,82,000	-
	To Bills Receivable A/c		-	1,82,000
	(Being Sujit's Acceptance honoured on the due date)			
(b) Aug. 4	Sujit's A/c ...Dr.		1,82,000	-
	To Bills Receivable A/c		-	1,82,000
	(Being Sujit's Acceptance dishonoured on the due date)			
(c) Aug. 4	Sujit's A/c ...Dr.		1,83,250	-

	To Bills Receivable A/c		-	1,82,000
	To Cash A/c		-	1,250
	(Being Sujit's Acceptance dishonoured and noting charges paid)			

In the books of Sujit				
Date	Particular	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
2019 June 1	Purchase A/c ...Dr.		1,82,000	-
	To Pratap's A/c		-	1,82,000
	(Being goods Purchase on credit)			
June 1	Pratap's ...Dr.		1,82,000	-
	To Bills Payable A/c		-	1,82,000
	(Being our acceptance given)			
(a) Aug. 4	Bills Payable A/c ...Dr.		1,82,000	-
	To Bank A/c		-	1,82,000
	(Being our acceptance honoured on the due date)			
(b) Aug. 4	Bills Payable A/c ...Dr.		1,82,000	-
	To Pratap's A/c		-	1,82,000
	(Being our Acceptance dishonoured on the due date)			
(c) Aug. 4	Bills Payable A/c ...Dr.		1,82,000	-
	Noting Charges A/c ...Dr.		1,250	-
	To Pratap's A/c		-	1,83,250

	(Being our acceptance dishonoured and noting charges paid)			
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Q4.A. Alankrit Ltd. offered for public 10,000 equity shares of ₹ 10 each at a premium of ₹ 12/- per share payable as under:

- i. On Application - ₹ 4
- ii. On Allotment - ₹ 4 (including premium)
- iii. On First & Final Call- Balance Amount

Company received all the money. The issue was fully subscribed. Give Journal Entries to record above transactions and also show in balance sheet.

Solution:

In the books of Alankrit Ltd.				
Date	Particular	L.F.	Amount Dr. (₹)	Amount Cr. (₹)
1	Bank A/c ...Dr.		40,000	-
	To Equity Share Application A/c		-	40,000
	(Being Application money on 10,000 Equity Shares @ ₹ 4 per Share received)			
2	Equity Share Application ...Dr.		40,000	-
	To Equity Share Capital A/c		-	40,000
	(Being Application money on 10,000 Equity Shares @ ₹ 4 per share transferred to Preference Share Capital)			
3	Equity Share Allotment A/c ...Dr.		40,000	-
	To Equity Share Capital A/c		-	20,000
	To Share Premium A/c		-	20,000
	(Being Allotment money on 10,000 equity shares @ ₹ 4 per Share due)			
4	Bank A/c ...Dr.		40,000	-

	To Equity Share Allotment A/c		-	40,000
	(Being Allotment money on 10,000 equity shares @ ₹ 4 per Share received)			
5	Equity Share First & Final Call A/c ...Dr.		40,000	-
	To Equity Share Capital A/c		-	40,000
	(Being Equity Share first & Final Call money on 10,000 Equity shares @ ₹ 4 per share due)			
6	Bank A/c ...Dr.		40,000	-
	To Equity Share First & Final Call A/c		-	40,000
	(Being Equity Share First & Final Call money on 10,000 equity Shares @ ₹ 4 per share received)			

Balance Sheet of Alankrit Ltd.			
Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital 10,000 Equity Share of ₹ 10 each	1,00,000	Bank	1,20,000
Share Premium	20,000		
	1,20,000		1,20,000

OR

4.B. Explain the features of Computerised Accounting System.

Solution:

Features of Computerised Accounting System are:

1. **Integrated Date & Information:** A computerised accounting system is designed to make it user-friendly, automated, and integrated for all business processes, such as purchase, sales, finance, inventory, payroll, and manufacturing. A computerised accounting system can keep accurate, up-to-date business information within the time limit. Computerised accounting is mixed with a Management Information System (MIS) with Multilingual and

Data organization capabilities to support the company. All the business operations are easy and cost-effective.

2. **Accuracy & Speed:** Computerised accounting has various customised templates and software for users, which allows fast and accurate data entry and transaction operations. Thus, after recording the business transactions, it generates various information and reports automatically.
3. **Quick Decision Making:** The computerised accounting system generates real-time information for quick decisions. The company or firm can plan its activities with the help of comprehensive MIS reports and instant access to complete and critical information about the company.
4. **Modern and Integrated:** It helps to save time when recording business transactions compared to manual accounting systems, such as various financial statements such as Trial Balance. Profit & Loss A/c and Balance Sheet can be derived at any point within a fraction of a second.
5. **Immediate availability of Books of Accounts:** In the computerised accounting system, Books and Registers like Cash Book, Bank Book, Purchase Register, Sales, Register and Statement of Account like Receivables and Payables are readily available at any point in time.
6. **Security:** The computerised accounting system is more secure. Data and information can be kept confidential compared to the traditional accounting system. In this security system, users can create multiple user security controls for various users.
7. **Transparency:** A computerised accounting system helps the business organisation maintain greater transparency in day-to-day business operations.
8. **Grouping of Accounts:** Appropriate account grouping is required in the computerised accounting system. Normally, ledger accounts are classified under Assets, Liabilities, Income and Expenditure. As per requirement, these groups are further divided into sub-groups at the user's convenience.

Q5.A. From the following Information, prepare Comparative Income Statement of Shri Shalni Ltd.

Particulars	2018 ₹	2019 ₹

Sales	6,00,000	4,50,000
Sales Return	1,00,000	50,000
Gross Profit ratio	40%	50%
Office and Admin Expenses	50,000	40,000
Selling and Distribution Expenses	50,000	40,000
Other income	25,000	15,000
Other Expenses	5,000	5,000
Tax rate	50%	50%

Solution:

Comparative Income Statement A/c					
Particulars	2018 ₹	2019 ₹	Absolute change	Percentage change	Increase Or Decrease
Gross Sales	6,00,000	4,50,000	(1,50,000)	25%	Decrease
Less: Sales Return	1,00,000	50,000	(50,000)	50%	Decrease
	5,00,000	4,00,000	(1,00,000)	(20%)	Decrease
Less: Cost of goods sold	3,00,000	2,00,000	(1,00,000)	33.33%	Decrease
A Gross Profit	2,00,000	2,00,000	-	-	
Less: Operating Expense	2,00,000				
Office and Admin. Expenses	50,000	40,000	10,000	20%	Decrease

Selling and Distribution Expenses	50,000	40,000	10,000	33.33%	Decrease
B	1,00,000	80,000	20,000	20%	Decrease
Operating profit	1,00,000	1,20,000	20,000	20%	Increase
Add: Operating income Expenses	25,000	15,000	(10,000)	40%	Decrease
Less: Non Operating Expenses	5,000	5,000	-	-	
Expenses	1,20,000	1,30,000	10,000	8.33	Increase
Less: Tax 50%	60,000	65,000	5,000	8.33	Increase
Net Profit after Tax	60,000	65,000	5,000	8.33	Increase

OR

5.B. Roohi, Mona, Meena were partners in a business sharing profits and losses in the ratio of 2 : 1 : 1 respectively. Their balance sheet as on 31st March, 2019.

Balance sheet as on 31st March, 2019				
Liabilities		Amount (₹)	Assets	Amount (₹)
Capital A/c:			Plant & Machinery	60,000
Roohi	60,000	1,64,000	Debtors	50,000
Mona	70,000		Furniture stock	30,000
Meena	34,000		Bank	60,000
Creditors		18,000		
Bills Payable		2,000		
General Reserve		16,000		

		2,00,000		2,00,000
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Meena died on 1st July, 2019:

1. Plant & machinery was to be revalued at ₹ 70,000 and RDD is to be created of ₹ 2,000.
2. The drawings of Meena up to the date of her death amounted to ₹ 10,000.
3. Charge interest on drawings ₹ 1,000.
4. Her share of goodwill should be calculated at three year purchase of the profits for the last four years which were: I year ₹ 1,50,000, II year ₹ 1,30,000, III year ₹ 70,000. IV ₹ 50,000.
5. The deceased partners' share of profit up to the date is to be calculated on the basis of average profit of last two years. (III & IV year)

Prepare Profit and Loss Adjustment account, Partners Capital Accounts and Balance Sheet of the continuing firm, give working note on share of profit and goodwill.

Solution:

Dr.	Revaluation Account			Cr.
Particulars		Amount (₹)	Particulars	Amount (₹)
To RDD A/c		2,000	By Plant & Machinery A/c	10,000
To Profit (Transfer to Partners Capital A/c)				
Roohi	4,000	8,000		
Mona	2,000			
Meena	2,000			
		10,000		10,000

Dr.	Partner's Capital Accounts						Cr.
Particulars	Roohi (₹)	Mona (₹)	Meena (₹)	Particulars	Roohi (₹)	Mona (₹)	Meena (₹)

To Drawing A/c			10,000	By Balance b/d	60,000	70,000	34,000
To Interest on Drawing A/c			1,000	By General Reserve A/c	8,000	4,000	4,000
To Meena's Executors Loan A/c			1,07,750	By Revaluation A/c (Profit)	4,000	2,000	2,000
To Balance c/d	72,000	76,000		By Goodwill A/c			75,000
				By Profit & Loss Suspense A/c			3,750
	72,000	76,000	1,18,750		72,000	76,000	1,18,750

Balance Sheet as on 1st April, 2019				
Liabilities	Amount (₹)	Assets		Amount (₹)
Creditors	18,000	Plant & Machinery	60,000	70,000
Bills Payable	2,000	Add: Appreciation	10,000	
Capital A/c:		Debtors	50,000	48,000
Roohi	72,000	Less: R.D.D.	2,000	
Mona	76,000	Furniture		30,000

Meena's Representative's Loan A/c	1,07,750	Bank		50,000
		Profit and Loss Suspense A/c (₹ 3,750 - 1,000 Int.)		2,750
		Goodwill		75,000
	2,75,750			2,75,750

Working Notes:

1. Calculation of Share of Profit:

Profit of Current Year = Average of the profit of Last 2 years

$$= \frac{70,000 + 50,000}{2}$$

$$= \frac{1,20,000}{2}$$

$$= ₹ 60,000$$

Profit for proportionate period from 1st April, 2019 to 1st July, 2019

$$= 60,000 \times \frac{3}{12} = ₹ 15,000$$

$$\text{Meena's share in proportionate profit} = 15,000 \times \frac{1}{4} = ₹ 3,750$$

2. Valuation of Goodwill:

Total profit of 4 year = 1,50,000 + 1,30,000 + 70,000 + 50,000

$$\text{Average Profit} = \frac{4,00,000}{4} = ₹ 1,00,000$$

Goodwill = Average Profit × No. of Year Purchases

$$= 1,00,000 \times 3$$

$$= ₹ 3,00,000$$

$$\text{Meena's share in goodwill} = 3,00,000 \times \frac{1}{4}$$

$$= ₹ 75,000$$

Q6. Symbiosys school, Pune showed the following position on 31st March, 2018.

Balance Sheet as on 31st March 2018			
Liabilities	Amount ₹	Assets	Amount ₹
Capital Fund	6,80,000	Cash in Hand	5,000
Entrance fees	20,000	Cash at Bank	8,000
		Laboratory	15,000
		Building	6,00,000
		Furniture	40,000
		Books	22,000
		Tuition fees Receivable	10,000
	7,00,000		7,00,000

Dr.	Receipts and Payments Account for the year ending 31st March 2019				Cr.
Receipts	Amount ₹	Amount ₹	Payments	Amount ₹	Amount ₹
To Balance b/d			By Salaries to Teachers		1,80,000
Cash	5,000	13,000	By Salaries to Office staff		30,000

Bank	8,000		By Books (Purchased on 1-1-2019)		15,000
To Tuition Fees			By Printing & Stationery		5,000
2017 - 18	8,000	1,08,000	By Annual Gathering Exp		10,000
2018 - 19	1,00,000		By Office Rent		16,000
To Fine Collected		2,000	By Repairs		15,000
To Admission fees		10,000	By Sports Exp.		5,000
To Term fees		7,000	By Furniture (Purchased on 1-7-2018)		50,000
To Donations to for Library		1,000	By Balance c/d		
To Interest on Bank Deposits		5,000	Cash	8,000	20,000
To Govt. Grants (Revenue)		2,00,000	Bank	12,000	
		3,46,000			3,46,000

Additional Information:

1. Tuition fees are outstanding for current year ₹ 5,000.
2. Salary to teachers is outstanding ₹ 15,000
3. Rent paid in advance is ₹ 3,000
4. Depreciation on Books @ 15 % p.a. and 10 % on Furniture.

You are required to prepare Income & Expenditure Account for the year ended 31st March, 2019 and a balance sheet as on that date.

Solution:

Dr.	In the books of Symbiosys School, Pune Income and Expenditure Account for the year ended 31st March, 2019				Cr.
Expenditure	Amount ₹	Amount ₹	Income	Amount ₹	Amount ₹
To Salaries to teachers	1,80,000	1,95,000	By Tuition Fees	1,00,000	1,05,000
Add: Outstanding Salaries	15,000		Add: Outstanding Tuition Fees	5,000	
To Salaries to Office Staff		30,000	By Fine Collected		2,000
To Printing and Stationery		5,000	By Admission fees		10,000
To Annual Gathering Expenses		10,000	By Term fees		7,000
To Office Rent	16,000	13,000	By Interest on Bank Deposits		5,000
Less: Prepaid Rent	3,000		By Govt. Grants		2,00,000
To Repairs		15,000			
To Sports Expenses		5,000			
To Depreciation on					
Furniture	7,750	11,613			
Books	3,863				
To Surplus (Excess of income over expenditure)		44,387			

		3,29,000			3,29,000
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Balance Sheet as on 31st March, 2020					
Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Fund	6,80,000	7,24,387	Cash in Hand		8,000
Add: Surplus	44,387		Cash in Bank		12,000
Entrance fees		20,000	Tuition fees Receivable		
Donations for Library		1,000	2017 - 18	2,000	7,000
Outstanding Salary of teacher		15,000	2018 - 19	5,000	
			Prepaid Rent		3,000
			Laboratory		15,000
			Building		6,00,000
			Furniture	40,000	82,250
			Add: Furniture Purchased	50,000	
				90,000	
			Less: 10 % Depreciation	7,750	
			Books	22,000	33,137
			Add: Purchases	15,000	
				37,000	
			Less: 15 % Depreciation	3,863	
		7,60,387			7,60,387

Working Notes :

• **Calculation of Depreciation on Furniture:**

a) 10 % Depreciation on ₹ 40,000 = ₹ 4,000

b) 10 % Depreciation on ₹ 50,000 for 9 months -

$$50,000 \times \frac{10}{100} \times \frac{9}{12} = 3,750$$

∴ Total Depreciation = 4,000 - 3,750 = 7,750

• **Calculation of Depreciation on Books:**

a) 15 % Depreciation on ₹ 22,000 = ₹ 3,300

b) 15 % Depreciation on ₹ 15,000 for 3 months

$$15,000 \times \frac{15}{100} \times \frac{3}{12} = 563$$

∴ Total Depreciation = 3,300 + 563 = 3,863

Q7. From the following Trial Balance of Riddhi and Siddhi, you are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2020 and Balance Sheet as on that date after considering the additional information given below.

Trial Balance as on 31st March, 2020		
Debit Balance	Debit (₹)	Credit (₹)
Stock (1/4/2018)	48,000	
Capital - Riddhi		50,000
Siddhi		30,000
Purchases	22,500	
Wages	800	
Carriage Inward	1,000	
Sundry Creditors		27,600

Bills Payable		20,000
Cash in hand	2,850	
Insurance	1,200	
Sundry Debtors	32,000	
Bank Overdraft		18,000
Carriage outward	900	
Land and Building	42,500	
Furniture	38,700	
Sales		47,000
Purchase Return		500
Sales Return	400	
Rent		1,800
Bad-debts	300	
R.D.D		350
Discount	700	1,000
Travelling Expenses	250	
Advertisements	4,150	
	1,96,250	1,96,250

Adjustments:

- i. Closing stock ₹ 48,700.
- ii. Outstanding Expenses - Wages ₹ 700 and Travelling Expenses ₹ 200.
- iii. Depreciate Land and Building by 10% and Furniture by 5%.
- iv. Insurance Paid in Advance ₹ 300.
- v. Goods of ₹ 3,000 destroyed by fire and Insurance Company rejected the claim fully.

Solution:

Dr.	In the Books of Riddhi and Siddhi Trading and Profit and Loss A/c for the year ended 31st March 2020				Cr.
Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		48,000	By Sales	47,000	46,600
To Purchases	22,500	22,000	Less: Sales Return	400	
Less: Purchase Return	500		By Closing Stock		
To Wages	800	1,500	By Good destroyed by fire		3,000
Add: Outstanding Wages	700				
To Carriage Inward		1,000			
To Gross Profit c/d		25,800			
		98,300			98,300
To Insurance	1,200	900	By Gross Profit b/d		25,800
Less: Prepaid	300		By Rent		1,800
To Depreciation on :			By R.D.D (Old)	350	50
Land & Building	4,250	6,185	Less: Bad-debts (New)	300	
Furniture	1,935		By Discount		
To Travelling Expenses	250	450			
Add: Outstanding	200				
To Loss by fire		3,000			

To Carriage Outward		900			
To Discount		700			
To Advertisement		4,150			
To Net Profit Transferred to Capital A/c					
Riddhi	6,183	12,365			
Siddhi	6,182				
		28,650			28,650

Balance Sheet as on 31st March, 2020					
Liabilities		Amount (₹)	Assets		Amount (₹)
Capital A/c:		56,183	Land & Building	42,500	38,250
Riddhi	50,000		Less: Depreciation 10%	4,250	
Add: Net Profit	6,183		Furniture	38,700	36,765
Capital A/c:		36,182	Less: Depreciation 5%	1,935	
Siddhi	30,000		Prepaid Insurance		
Add: Net Profit	6,182		Cash in hand		
Sundry Creditors		27,600	Sundry Debtors		32,000
Outstanding Expenses:			Closing Stock		48,700
Wages	700	900			
Travelling	200				
Bill Payable		20,000			

Bank Overdraft		18,000			
		1,58,865			1,58,865