PG DEPARTMENT Of COMMERCE (CA)

QUESTION BANK

COURSE: B.Com (CA) **SEMESTER :** II

SUBJECT CODE: 18UCC203 **SUBJECT:** Higher Financial Accounting

K1 LEVEL

01. A partnership is formed by ………….
    a) Agreement b) Bond c) Others d) both a&b

02. A partnership firm may registered under ……….
    a) 1948 act b) 1843 act **c) 1932 act** d) 1934 act

03. Every partner has the right to receive interest on loans and advance of the rate of ………
    a)10% b)12% c)9% **d)6%**

04. The maximum number of Partners in the case of banking is ……….
    a)20 b)30 c)15 **d)10**

05. A partner who takes active part in the management of the partnership firm is known as.......
    a) employee **b) general manager** c) owner d)partner

06. Person who enter into partnership are individually called.....
    a)manager **b) partner** c) employee d) owner

07. The profit or loss of partnership firm is shared in the ………. Among the partners
    a)gain ratio b) equal ratio **c) agreed ratio** d) old ratio

08. When a person makes an arrangement with a partner to share his profit he is known as

a) active partner b) sleeping partner c)minor partner **d)sub partner.**

09. The maximum number of member in nonbanking firm is ………..

a)12 b)30 c)10 **d)20**

10. If there is no agreement partner share profit or loss

a)equally b) gain ratio c) old ratio d)agreed ratio

11. The minimum number of persons in a partnership firm is ………..

a)3 b)4 **c)2** d)1

12. Under fixed capital system the partners ……… accounts are opened

a) current account only b) drawing account only**c)both** d) none of the above

13. Under fluctuating capital system the partner ………. Accounts are not opened

a)drawings a/c **b)current a/c**c)capital a/cd)none of the above

14. Under fixed capital system the profit and loss of partners will be transferred to their ………account

a)current a/cb) capital a/c c) both d) none of the above

15. Under fluctuating capital system the interest on drawing will be transferred to their ………. account

a)current a/c **b)capital a/c** c) both d)none of the above

16. Amount of drawn regularly at the end of every month during the year interest is calculated for ………

a)24/11 **b)11/24**c)1/6 d)3/9

17. In the absent of any specific agreement between the partners. partners loan to the firm will carry an interest of the loan ………

a)9% b)10% **c)6%** d)8%

18. Interest on capital is calculated on the ....

a)opening balance b) closing capital c) both a & b d) none of These

19. Interest on capital is adjusted to partners …. account

a) capital **b)partnerscapital** c)both a & b d) none of the above

20. Capital account of partnership are maintained by …….. methods

a)3 b)1 c)4 **d)2**

21. The net profit as shown by profit and loss account is transferred to another account ………

a)profit& loss appropriation A/c b)capital A/c c)current A/c d)none of the above

22. The daily transaction of a partnership firm are recorded according to the principles of the ………

a)single entry system **b) double entry** c)both d)none of the above

23. In the absence of an agreement no interest is to be charged on ……….

a)capital**b)drawings** c)both d)none of the above

24. Which of the following is not an item in the profit and loss appropriation account ?

a)interest on capital b)salary paid to partner **c)interest allowed to partners loan** d)none of above

25. Partners salary is debited to ………….A/c

a)trading b)profit & loss c)capital**d)profit &loss appropriation**

26. Which on of the following should be paid even if there is a loss to the firm?

a)interest on capital **b)interest on loan** c)salary d)commission

27. In the cash of fixed capital method drawings account of each partner is closed by transferring is to

a)debit of current A/c. b)credit of current A/c c)debit of capital A/c **d)creditof capital A/c**

28. ……….. is descried as an extension of the principle of agency

a))sale trade b)joint venture **c)partnership** d))none of the above

29. A partner who contributes capital and takes active part in the management partnership firm is...........

a)sleeping partner **b)managing partner**c)minor partner d)none of above

30. The partner liability in India is ……….

a)limited**b)unlimited** c) both d)none of the above

31. Undistributed Profit or loss will be shared by the Partners by…………..

a) new partner b) old ratio c) old partner **d) old ratio**

32. In the Admission of the Partners the Capital is adjust on the basis of …………as a starting point.

a) **New partner** b) old partner c) both a and b d) none of these

33. When there is exist Capital than mentioned in agreement the exist amount will be transferred to …….

a)Partners current A/c b) partner capital A/c c) profit & loss A/c d) all the above

34. When New Partner is admitted …………Partner will not share the old profit or loss.

a)Old partner **b) new partne**r c) both a partner d) none of the above

35 ……….Method is useful when the actual profit is less than normal profit.

a)simple average profit b) super profit **c) capitalisation** d) all the above

36. …………..means the profit earned by the firm above the normal profit earned by others form in business.

a)Super profit b) simple average profit c) capitalisation d) none of these

37. The Amount of goodwill bought in by the new partner may not clearly called goodwill…………..

a)Hidden goodwill b) goodwill in books c) goodwill brought in kind d) all the above

38. The Debit balance of the Profit or loss account should distributed amongst oldpartners in ………..

a)New profit sharing ratio b) old profits sharing ratio c) both a& b **d) none ofthese**

39. The value of goodwill evaluvated should be adjusted through partners……… account.

a)Capital b) current c) both a and b d) none of these .

40. ……………..Goodwill is the goodwill generated internally.

a) self generated b) hidden goodwill c)goodwill in books d) all the above

41. Goodwill can be classified into………….kind.

a) three b) four c) five **d) Two**

42. ……….. is the goodwill acquired by making Payment in cash or kind.

a) Purchased goodwill b) Hidden goodwill c) both a& b d) none of these

43. …………… is computed without giving any weightage to latest or past years.

a) weighted Average b) capitalization c) super profit **d) simple Average**

44. ……………..is computed by assigning weights to profits of previous years.

a) weighted Average b) capitalization c) super profit d) simple Average

45. The old values in the books.This is done by opening an account called …………

a) profit &loss appropriation A/c **b) memorandum revaluation** c) revaluation d) all the above

46. In the Second part of the memorandum revaluation all the entries made in the first part are reversed and the …………..

a)Profit or loss b) profit & loss c) both a& b c) none of these

47. The formulae for calculating average profit is…………..

a) Average expected profit - normal profit b) super profit × no . Of years

c) actual profit/ normal rate of return **d) total profits/ No. Of years**

48. The formulae for calculating Goodwill is ……….

a) Average expected profit - normal profit b) super profit × no . Of years

c) actual profit/ normal rate of return **d) Average profit/ No.of years of purchase**

49. "The Whole advantage whatever it may be,of the reputation and connection of the firm which may have been built up by years of honest work or gained by lavish expenditure of money" is said by…………..

a)Trego b) hunt **c) TregoVs.Hunt** d) none one in this

50.The Formulae for calculating Sacrificing Ratio is…………..

a) new ratio + old ratio b) new ratio- old ratio **c) old ratio - new ratio** d) old ratio + new ratio

51. Sometimes the amount bought in by the new partner may not be clearly mentioned that is called…………

a) self generated**b) hidden goodwill** c)goodwill in books d) all the above

52. The Goodwill amount will have to be adjusted in the firm's books ofaccounting in the following manner by applying the......

a) Provisions of As-10. b) Provisions of As-12 c) Provisions of As-14 d) Provisions of As-16

53. A person who admitted in to the firm is known as…………

a) incoming partner b) outgoing partner c) new partner **d) incoming or newpartner**

.

54. The surrender of share by old partner is made in certain ratio this ratio is Called………..

a) Old ratio b) new ratio **c) sacrificing ratio** d) gaining ratio

.

55. Same accounts are of the opinion that attachment of customer to a particular business is called…………..

a)Goodwill b) hidden goodwill c) values d) none of these

56. ………….. is useful when the actual profit is less than normal profit.

a) simple Average **b) capitalization** c) super profit d) all the above

57. The Goodwill bought in by the new partner has to be adjusted called firm's………

a)Hidden goodwill **b) books of account** c) both a and b d) none of these

58. Goodwill can be classified int……. Kind.

a) two b) three c) four d) five

59. …………..is the goodwill generated internally.

a) Hidden goodwill**b) self generated goodwill** c) Purchased goodwill

d) all the above

60. ………..Cannot be shown as an asset in balance sheet.

a) Hidden goodwill **b) self generated goodwill** c) Purchased goodwill

d) all the above

61. ……………..= Average Profit . No.of.years

a) goodwill b) normal profit c) super profit d) Average expected profit

62. The average profit is multiplied by the number of years in which the……

a) capital employed **b) anticipated profit** c) normal profit d) super profit

63. Assets – liabilities is termed as ………..

a) purchase b) acquired goodwill **c) purchase or goodwill**

d) none of these

64. Acquired goodwill also known as ……..

a) Hidden goodwill b) self generated goodwill **c) Purchased goodwill**

d) all the above

65. Purchase goodwill is the goodwill acquired by making payment in ……….

a) cash b) kind c) cash and kind **d) cash or kind**

66. ………….. is calculated when a partner retire from the firm

a)gaining ratio b)Sacrificing ratio c)sharing ratio d) none of the above

67. …………… ratio at which old partner surrenders a part of their old shares in Favour of incoming partners

a)sharing b) gaining **c) sacrificing** d) none of the above

68. Interest is calculated on the balance of this account every year…………..

a) payment to the retiring partner **b) payment in instalment** c)hidden goodwill d) revaluation of assets& liabilities

69. If payment is made to the retiring partner by annuity in some years…………….

a) payment of annuity b) payment in lump sum **c) annuity suspense A/c** d) treatment of goodwill

70. Payment may also be made by ………………..

a) annuity b) time basis c) mode of payment d) turn over

71. Gaining ratio =……….

a) new ratio + old ratio b) old ratio + new ratio

c) new ratio -- old ratio d) old ratio – new ratio

72. Sacrificing ratio is calculated by deducting new ratio from the ………

a) new ratio **b) old ratio** c) sacrificing ratio d) gaining ratio

73. Gaining ratio is calculated by deducting old ratio from the …………….

a) new ratio b) old Ratio c) sacrificing ratio d) gaining ratio

74. A …………… partner will not be held liable for the debts incurred by the firm after his retirement

a) **Retiring partner** b) admission of partner c) retirement partner

75. In case of a ………………partner such a public notice need not be given

a) retirement **b) sleeping** c) admission d) all the above

76. ……… ratio at which the continuing partners take up retiring partner share

a) **Gaining ratio** b) new ratio c) old ratio d) sacrificing ratio

77. …………… ratio is calculated at the time of admitting a Person as new partner

a)Gaining ratio **b) sacrificing ratio** c) old ratio d) new ratio

78. ……………. Ratio is calculated when a partner retires from the firm

a) new ratio b) old ratio c) sacrificing ratio **d) gaining ratio**

79. When the firm does not have a sufficient amount to pay off the ……partner it can pay the amount in installments

a)Retiring partner b) new partner c) old partner d) incoming partner

80. Admission if payment is made to the retiring partner by annuity in some years an …………… account is opened

a)Admission of a partner **b) annuity suspense** c) Assets d) liability

81. ……………. Calculated by deducting new rations from the old rations

a) old ratio **b) sacrificing ratio** c) new ratio d) gaining ratio

82. ……………. Calculated by deducting old rations from the new rations

a) old ratio b) payment in installments **c) gaining ratio** d) sacrificing ratio

83. Whenever a partner leaves a partnership firm or dies, the efforts he made to build the ………… of the firm

a)Existing goodwill b) new goodwill **c) goodwill** d) hidden goodwill

84. ……………. Calculated to determine the amount of expensen given to the retiring partner by the continuing partner

a)Sacrificing ratio b) gaining ratio c) goodwill d) old partner

85. The capital introduced by the new partner is utilized……….. to pay off the amount due to the retiring partner

a)Wholly b) partly c) half **d) both a and b**

86. Capital account of deceased partner is credited with his share of………

a) share of goodwill b)salary due c) profit on revaluation of the Asset & liabilities **d) all the above**

87. The total claim is first to be transferred to…….

a) executors loan b) new partners loan c) old partner loans

d) all the above

88. In dissolution of a firm, payment also be made by………… method

a) lump sum payment b) instalment payment **c) annuity**

d) equated instalments method

89. The deceased partners share of profit may be estimated on the basis of……..

a) time basis b) sales basis c) turnover basis **d) both a and b**

90. …………. May occur at any time during the course of the accounting period

a) death of a partner b) dissolution of the firm

c) dissolution of partnership d) none of these

91. The actual share of the deceased partner in the profit of the firm till the date these of death can be calculated only by preparing the……………

a)profit& loss A/c **b) final A/c** c) balance sheet d) capital A/c

92. When a partner dies, he leaves the firm forever it is as ………………..

a) retirement **b) permanent retirement** c) dissolution of a firm

d) none of these

93. The legal representatives of deceased partner can receive interest at ………

a)6% b) 7% c) 8% d) 9%

94. If the firm has sufficient cash to pay off the amount due to deceased partner can pay immediately known ……… method

a)Lump sum payment b) instalment payment c) both a &b

d) none of these

95. ……….. may also be made by annuity in retirement

a) transaction b) share **c) payment** d) all of these

96. Interest on drawing from the………. Of the year to the date of death

a) ending **b) beginning** c) both a and b d) none of these

97. The firm is dissolved by ……. When a partner becomes of unsound mind

a) court b) agreement c) mutual d) none of these

98. The firm is dissolved by ……… When all the partners gives their consent

a) court **b) agreement** c) mutual d) none of these

99. Which of the following is treated as unordered list ?

a) sale of old furniture

b) sale of old computers, written off in previous year

c) bad debts recovered, written off in previous furniture.

d) both b & c

100.Which of the following is treated as, unordered liability?

a) a bill discounted with bank dishonoured b) repayment of bank loans

c) settlement a dispute against the firm **d) both a & c**

101. On dissolution of a firm, bank overdraft is transferred to ………..

a) cash a/c b) bank a/c **c) realisation a/c** d) partners capital a/c

102. On dissolution of a firm, partners loan a/c is transferred to…..

a) realisation A/c b) partners capital A/c c) partners current A/c

d) noneof these

103. Un recorded liabilities When paid are shown in………… .

a) debit of realisation A/c b) debit of bank A/c c) credit of realisation A/c d) credit of bank A/c

104. Un recorded Assets When taken over by a partner are shown in……

a) debit of realisation A/c b) debit of bank A/c**c) credit of realization A/c**

d) credit of bank A/c

105. The accumulated profit &reserves are transferred to ………

a) realisation A/c **b) partners capital A/c** c) bank A/c

d) none of these

106. The partnership firm is dissolved by…….. of a partner as an insolvent

a) adjudication b) jurisdiction c) sec 1904 d) agreement

107. When the partner becomes an insolvent

a) the Assets are more than liabilities. **b) the liabilities are more than Assets** c) decrease in the value of capital d) loss of the firm

108. The capital ratio will depend on by……… account

a) fixed capital b) fluctuating capital **c) both fixed and fluctuating capital** d) none of these

109. The deficiency of the insolvent partner must be born by…….

a) solvent partner b) retiring partner c) new partner

d) partner by holding out

110. The deficiency was born by the solvent partners in the ratio of……..

a) gaining ratio b) sacrificing ratio **c) capital ratio** d) profit sharing ratio

111. The rules of Garner's vs Murray's was ……. In India

a) applied b) in occurs c) not applied d) omitted

112. How many procedures under fixed capital method…..

a) 6 **b) 7** c) 5 d) 12

113. The loss on account of insolvency of the partners will have been born by……..

a) creditors b) debtors c) partners in profit only d) banker

114. The balance remaining unpaid will be transferred to which accounts?

a) deficiency b) profit and loss appropriation c) capital d) loan a/c

115. The rule of…….. is applicable in case of insolvency

a) Garner's vs Murray's b) Arnold W. Johnson c) both a &b

d) none of these

116. Insolvency are the …… effects of this rule on the account of the firm

a) 4 **b) 2** c) 8 d)3

117. All the solvent share should bring case …….. to their share of lose on realization

a) 1:2 b) 3:2 **c)1:1**d) 2:1

118. The loss realization pertaining to each partner should also be transferred to …….account

a)Capital account b) partners account c) realisation account

d)currentAccount

119. Making payments to parents the following…….. method, may be adopted

a) maximum loss method b) surplus capital method **c) both a & b**

d) none of these

120. The lowest capital after this division constitute the………..

a) capital **b) surplus capital** c) basis capital d) proportionate capital

121. Partnership act necessary to apply the provision of section……….

a) 28 b) 38 **c)48** d)58

122. According to popular usage an …….is on who is not able to pay his debts as &when they are due

a)solvent **b) insolvent** c) legal basis d) none of the above

123. The liabilities to outsiders must be classified using the…… for each creditors

a) security b) amount c) value d) none of these

124. ……… cannot be claimed by the creditors after the date of adjudication

a) payment b) property **c) interest** d) all the above

125. Garner's vs Murray's decision may safely be applied in …..

a)**India** b) England c) Australia d) all the above

<u>K2 LEVEL QUESTIONS</u>

1. Explain partnership.

   Ans: Two or more persons may become joint owners, bring Capital and sharing profit and losses.

2. List out partnership deed.

   Ans: partnership, the results of an agreement between two or more persons to Carry on business jointly for common benefits.

3. List out the necessary adjustment in accounts

   Ans: Interest on capital

   Interest on drawing

   Interest on partner’s loan

   Parents salary

4. Describe interest on capital.

   Interest on capital is calculated on the opening balance of Partners capital

5. How many accounts in fixed capital method? What are there?

   Ans: Two account’s, Current and capital account

6. Construct profit and loss appropriation account.

   Ans: Interest on capital, interest on drawing, salary, commission and respective sharing of profit.

7. Explain capital ratio

   Ans: The partners agree to share their profits and losses on the basis of capital ratio.

8. Discuss about guarantee of profit method.

   Ans: When one of the partners guarantees another a minimum amount of profit, the adjustment is to be done through Partner capital account.

9. Describe fixed capital method

   Ans: The partner’s current and capital account is making all entering relating to capital, interest in partner’s capital etc.

10. Explain fluctuating capital method

Ans: The capital balance at beginning of accounting period is affected the different at end. The balance in capital account goes on fluctuating.

11. Construct any 5 clauses in partnership deed.

    Ans: Name of firm

    Nature of business

    Name and address of Partners

    Interest on capital and drawing

12. List out the rules applicable in the absence of partnership deed.

    Ans: Profit sharing ratio

    Interest on loan

    Interest on capital

    Interest on drawing

    Salary to partners

13. Explain past adjustment.

    Ans: Interest on capital or drawing or commission has been omitted from being recorded in books of accounts.

14. Describe cancellation of excess interest.

    Ans: The rectification will means an increase in divisible profits and decrease in interest already credited to Partners.

15. Clarify the partnership act

    Ans: partnership act 1932

16. Classify the equation of sacrificing ratio

    Ans: Sacrificing ratio = old ratio-new ratio

17. List out any two factors affecting the value of goodwill

    Ans: Quality and Location

18. Clarify the accounting standard

    Ans: Accounting for fixed assets issued by the institute of chartered accountants of India specially relations to Goodwill.

19. Describe thecapitalization method

    Ans: Capitalization method= profit/ normal rates of return×100

20. Discuss about super profit method

Ans: Super profit = Average profits- Normal profits

21. List out the kinds of goodwill

    Ans: Purchased Goodwill

    Self generated Goodwill

22. Construct the self generated goodwill

    Ans: Self generated Goodwill is the Goodwill generated internally.

23. Describe the hidden goodwill.

    Ans: Sometimes, the amount of goodwill to be brought in by the new partner may not be clearly mentioned

24. Classify the methods of valuation of goodwill.

    Ans: Average profits, Super profit and Capitalization profit.

25. Describethe accounting problem.

    Ans: Theaccounting problem arising out of retirement of a partner are more or less similar to those of admission of a partner.

26. Clarify did the profit sharing ratio of the remaining partners will not change?

    Ans: In the absence of an agreement on the retirement of a partner the mutual profit sharing ratio of the remaining Partner will not change.

27. Clarify when gaining ratio will calculate

    Ans: In the absence of an agreement on the retirement of a partner the mutual profit sharing ratio of the remaining partner will not change.

28. List out the formula for Gaining ratio

    Ans: Gaining ratio=New ratio-Old ratio.

29. Construct the purpose of sacrificing ratio

    Ans: It is calculated to determine the amount of compensation to be given to the old partners by the incoming partner.

30. Construct the purpose of gaining ratio

    Ans: It is calculated to determine the amount of compensation given to the retiring partner by the continuing partners.

31. Describe the meaning of gaining ratio

    Ans: It is the ratio at which the continuing partners take up retiring partner's share.

32. Clarify when did goodwill cannot be raised in the books of the firm?

Ans: In the case of retirement /death of a partner.

33. Explain the term retirement cum admissions of Partner

    Ans: Sometimes in a firm when one partner retires the continuing partner may decide to admit a new partner.

34. List out the methods of mode of payment.

    Ans: Lump sum payment method

    Instalment payment method

    Annuity method

35. Discuss about joint life policy.

    Ans: When a partner dies a large sum of money have to be paid to his legal representatives.

36. Describe annuity method.

    Ans:Payment may also be made by annuity according record will be thesame as in the case of payment by annuity in retirement.

37. Explain death of a partner

    Ans: If partner dies he leaves the firm forever. Therefore it is treated as permanent retirement.

38. Clarify about deceased partner

    Ans: Deceased partner is also called as dead of partner.

39. Who are called executors?

    Ans: Executors are the nominee of the deceased partner.

40. Describe about lump sum payment method.

    Ans: If the firm has sufficient cash to pay of the amount due to the deceased partner it is called lump sum payment method.

41. List out types of installment payment method.

    Ans: Decreasing Payment method

    Equated Instalment method

42. Clarify the surplus of the firm will be divided among the partners in what ratio?

    Ans: The surplus of the firm will be divided among the partners in Profit sharing ratio

43. Clarify when should be the books of the firm are to be closed.

    Ans:When the firm is dissolved the books of the firm are to be closed.

44. List out the methods dealing with join life policy

Ans: Three method

- Premium Method
- Surrender Value Method
- Joint Life Policy Reserve Method

45. Explain the dissolution of firm.

Ans: Dissolution of the firm means closing down the under taking or suspending permanently the activities of partnership business.

46. Describe the termrealization account

Ans: When a firm dissolved the books of the firm are to be closed. This is done to be prepared realisation account

47. Explain who is called insolvency of partner.

Ans: In a firm when a partner become an insolvent he is unable to continue a firm, this is called insolvency of partner.

48. Explain Garner vs Murray

Ans: Garner vs Murray rule is applicable in the case of insolvency of one or more partners but not all the partners.

49. List out the rules of Garner vs Murray .

Ans: Case of insolvency of one or more partners but all the partners.

50. List out the methods adopted for making payments to partners.

Ans: 1.Maximum loss method

2. Proportionatecapital/surplus capital method.

51. Describe the term basis of capital

Ans: The lowest capital after this division constitutes the "basis capital" from which the remaining hypotheticals capital are calculated.

52. Describe the term piecemeal distribution

Ans: It has been assumed that all the asset's are realised immediately on the date of dissolution and all liabilities are paid of on the same date.

53. Explain the Proportionate capital

Ans: The amount payable to partner whose capitals are relatively in excess of their profit sharing ratio is calculated.

54. Construct the calculation of the proportionate capital.

Ans: It is done by dividing each partners capital by respective profit sharing ratio.

K3 Level Questions

1. What is meant by partnership deed and write any five causes. ?
2. Explain interest on drawings and write three methods to calculate interest on drawings. Differentiate between fixed capital method and fluctuating capital method.
3. Define past adjustments and write three procedures.
4. Explain guarantee of profit concept.
5. A partner makes drawings of rs.2000p.m. Under the partnership deed. Interest is to be charged @12%p.a. What is the interest that should be charged to the partner if the amount was drawn (i) in the beginning of month (ii) in the middle of month (iii) at the end of the month?
6. X and y are partners in a firm sharing profit and losses equally. On 1st January 1995, their capitals were rs.20000 and rs.10000 respectively. Interest on capital is to be allowed at 5% p.a. from profits prior to division thereof.
   i. The net profit for the year ending 31st December 1995, before allowing interest on capital amounted to rs.9500
   ii. Give the journal entries and prepare profit & loss appropriation
   iii. Account as on 31st December 1995, showing the division of profit between x and y.
7. A and B started business on 1st January 1992 with rs30000 and rs18000 as a capital respectively. They agree to share profit in a capital ratio. From the following details, calculate the capital ratio.

	1. Capital introduced		capital withdrawn	
	A	B	A	B
	RS.	RS.	RS.	RS.
b. 1st march	6000	-	-	-
c. 1st APRIL	-	21,000	9,000	-
d. 1st JUNE	12,000	-	-	18,000
e. 30th September	-	24,000	24,000	-

8. X and y are partners sharing the profits in the ratio of2:1 and as from 1st January 1995, they admit z who is to have 1/10th share of profit with a guaranteed minimum of RS. 32000. X and Y continue to share as before. The profit of the firm in respect of the year in question is RS. 200000 .Prepare profit and loss appropriation a/c.
9. P, Q and R sharing profit and losses equally, have capital of rs.20000 rs.15000 and rs.10000. For the year 1991, interest was credited to them at 6% instead of5%.
    i. Give adjusting journal entry.
10. Write the Meaning of Goodwill.
11. Analyse the need for Valuation of Goodwill.
12. List out any five factors of affecting the Value of Goodwill.
13. Classify the methods of valuation of goodwill.
14. Explain the Kinds of Goodwill.
15. P and Q are partners sharing profits in the ratio of 3:2.They admit R as a partner for 1/5 th share in future profit. Calculate the new ratio and sacrificating ratio.
16. A and B are partners in a business sharing profits in the ratio of 5:3.They decide to admit C into the firm giving him 1/6th share .Calculate the new profit sharing ratio and sacrificing ratio of the partners.
17. Calculate the amount of goodwill at three years purchase of last five years of average profits.The profits were:
    a. I year- Rs.9,600 II year- Rs.14,400 III year – Rs.20,000 IV year – Rs.6,000 V year – Rs.10,000
18. A and B are partners sharing profits in the ratio of 3:2.They admit C into partnership.C pays a premium of Rs.1,000 for ¼ share of profit. No goodwill account appears in the books. they withdraw the amount of goodwill. Journalise.
19. A and B are partners in a firm with capital of Rs.36,000 and Rs.32,000respectively.They decide to admit 'G' into the firm with a capital of Rs.30,000. G is given 1/5th share in the future profits and losses. Give journal entries.
20. A, B & C were partners in a firm, sharing profits and losses in the ratio of 3:2:5 'c' retires and on that date the firms goodwill is value at Rs.80000 pass necessary journal entry to adjust goodwill at the time of retirement.

21. Bim, Gim and Nim are partners sharing profits in the ratio of 2:3:5 goodwill appears in their books at a value of Rs.60000. Bim retires and on the day of Bim's retirement goodwill is valued at Rs.30000. Gim and Nim decided to share the future profits equally. Pass the journal entries for goodwill.
22. X,Y and Z are partners sharing profit in the ratio of 1:2:3. Z retires and his capital, after making adjustments for reserves and profits on revaluation, stands at Rs.44000. X and Y agreed to pay him Rs.50000 in full settlement of his claim. Give journal entry for goodwill if the new profit sharing ratio is decided at 1:3.
23. A,B,C,D and E were partners in a firm sharing profit and losses in the ratio of 5:4:3:2:1 respectively. Unfortunately D and E met with an accident in which both them died.
24. The goodwill of the firm was valued at Rs. 75000 and A, B and C decided to share the future profits and losses In the ratio of 4:6:5 respectively.
    a. Give the journal entry to record the above relating to goodwill.
25. A,P,R were partners in a firm. R died on 28th feb 2011. His share of profits from the closure of the last accounting year till the date of death was to be calculated on the basis of the average profits of three completed years before death. Profit for 2008-10 were Rs.55000, Rs.66000 and Rs. 77000 respectively. Calculate R's share of profits till his death and pass the necessary journal entries for the same.
26. X, Y and Z are partners sharing profit in the ratio of 2:2:1. Y dies on 31st march 2009. Accounts are closed on 31st dec. sales for the year 2008 amounted to Rs. 600000 sales of Rs.200000 amounted between the period of 1st jan 2009 and 31st march 2009. The profit for the year 2008 amounted to Rs. 60000. Calculate the deceased partners share in the profit of the firm.
27. P,J and R are partners sharing profits in the ratio of 2:2:1. J dies on 31st march 2011 accounts are closed on 31st dec. sales for there 2010 amounted to Rs. 240000 sales of Rs.80000 amounted between the period from 1st jan 2011 to 31st march 2011. The profit for the year 2010 amounted to Rs.24000. Calculate the deceased partners share in the profit of the firm.
28. R,M and J were partners in a firm J died on 29th feb 2008. His share of profit from the His share of profits from the closure of the last accounting year till the date of death was to be calculated on the basis of the average profits of three completed years before death.

Profit for 2005-07 were Rs.7000, Rs.8000 and Rs. 9000 respectively. Calculate J's share of profits till his death and pass the necessary journal entries for the same.

29. Calculate the amount of goodwill at 3 years purchase of last five years average profit. The profit were

30. 1st year-Rs. 9600, 2nd year- Rs. 14400, 3rd year- Rs. 20000,4th year- Rs. 6000,5th year- Rs. 10000.

31. Soman and Nalan are partners sharing profits equally. The admit Kalan as partner for 1/4th share of profits. The firms goodwill is valued at Rs. 100000. Kalan agreed to bring in cash Rs. 80000 as his capital and only Rs. 15000 towards his share of goodwill. Pass the journal entries assuming the capitals of the partners are fixed and the books of accounts on the date of Kalan's admission show goodwill of Rs. 40000.

32. 11. P, Q, and R share profits in proportion of 1/2, ¼, and ¼. On the date of dissolution their balance sheet was as follows:

Liabilities	Rs	Assets	Rs
Creditors	14000	Sundry assets	40000
P's capital	10000		
Q's capital	10000		
R's capital	6000		
	40000		**40000**

The assets realized 35500. Creditors were paid in full. Realisation expenses amounted to Rs.15000. close the books of the firm.

33. R, S and M are the partners sharing profits and losses as 2:2:1. Their balance sheet as at 30.06.91 was as follows:

Liabilities	Rs	Assets	Rs
Creditors	4000	Bank	5000
Capitals:		Debtors	4000
R	10000	Stock	5000
S	4000	Fixtures	2000
M	2000	Machinery	9000
Reserve fund	5000		

	25000		25000

They decide to dissolve the business the following are the amounts realized. Machinery Rs. 8500; Furniture Rs. 1500; Stock Rs. 7000 and debtors Rs. 3700. Creditors allowed a discount of 2% and R agreed to bear all realization expenses. For this service, R is paid Rs. 120. Actual expenses amounted to Rs. 900 which was withdrawn by him from the firm. There was an unrecorded assets of Rs. 500 which was taken over by S at Rs. 400. Pass journal entries and prepare revaluation a/c, capital a/c and bank a/c.

34. A,B and C are equal partners in a firm and on 31^{st} dec.2000,their balance sheet stood as follows:

Liabilities	Rs	Assets	Rs
Creditors	10,000	Bank	200
Bills payable	3,200	Debtors	16,000
General reserve	9,000	Stock	25,000
Capital accounts:		Bills	5,000
A	21,000	receivable	15,000
B	13,000	Machinery	
C	5,000		
	61,200		**61,200**

'c' become insolvent and his private estate could pay only rs.100. The firm was dissolved. Assets realized Rs.31,000. Realisation expenses came to Rs.600. Prepare necessary ledger accounts to close the books of the firm.(Apply Garner vs Murry rule)

41. The following is the balance sheet of X,Y and Z on 31.03.94

Liabilities	Rs.	Assets	Rs.
Capital a/c's		Furniture	40,000
X	50,000	Plant	20,000
Y	30,000	&machinery	40,000
General	30,000	Stock	20,000

reserve Sundry creditors	40,000	Sundry debtors Cash at bank Z's capital	12,000 18,000
	1,50,000		**1,50,000**

Z is insolvent but his estate pays Rs.4,000. It is decided to dissolve the partnership . The assets realized as follows:

Sundry debtors :Rs.15,000; furniture: Rs. 28,000; stock : Rs. 32,000; plant and machinery : Rs. 14,000 The dissolution expenses amounted to Rs. 5,000. Give accounts to close the books of the firm if the capitals are fluctuating

40. A,B ,C and D were partners sharing profits in the ratio of 3:2:3:2 . Their balance sheet on the date of dissolution was as follows:

Liabilities	**Rs**	**Assets**	**Rs**
A's capital B's capital Reserve fund Creditors	20,000 10,000 8,000 12,000	Assets C's capital D's capital	34,000 12,720 3,280
	50,000		**50,000**

On the above date C becomes insolvent and was able to contribute only 50 paise in the rupee. Assets realized Rs. 25000. Realization expenses amounted to Rs. 800. Make ledger a/c.

<u>K4 & K5 LEVEL Questions</u>

35. 11. Ram and ravi are partners in a firm sharing profit and loses as to ¾ths to ram and ¼th to ravi. Their capitals on 1st January. 1996 amounted to Rs. 18,000 and Rs. 12,000 respectively. During the year ended 31st December 1996. They lost Rs. 10,608 without taking into account interest on capital and drawings. According to partnership deed, interest on capitals is to be allowed at 5% p.a. and charged on drawings at an average rate

of 2%. The drawings of ram and ravi during the year were Rs. 2,400 respectively and interest on them worked out to be Rs. 60 and Rs. 48 respectively. Draw up the profit and loss appropriation a/c and the capital accounts of the partners as on 31st December 1996.

36. 12. On 1st January 1991, Kavitha and sumathy entered into partnership and contributed Rs. 80,000 and Rs. 60,000 respectively. They share profit and losses in the ratio of 3:2 sumathy is to be allowed a salary of Rs. 16,000 per year. Interest on capitals is to be allowed at 5% per annum. 5% interest is to be charged on drawings. During the year, Kavitha withdrew Rs. 12,000 and sumathy Rs. 24,000, interest being Kavitha Rs. 280 and sumathy Rs. 200 profit in 1991 before the above noted adjustments was Rs. 42,320. Show the distribution of profits between the partners and prepare capital accounts . (i) when they are fluctuating and (ii) when they are fixed.

37. 13. On 1st January 1993, the balances of lara and rose were as follows:

	Capital account	current account
Lara	1,50,000	15,000 (cr.)
Rose	45,000	3,000 (Dr)

38. On 1st July 1993, lara withdrew Rs. 30,000 from his capital androse introduced Rs. 15,000 as further capital on the same date. According to the deed interest on capital is to be allowed at 6% per annum but no interest to be allowed or charged on current account balance and drawings. Lara is entitled to 3/5 and Rose 2/5 of the profit the manager of the firm is entitled to a commission of 10% of the profit before any adjustment is made according to the deed. During 1993 the profit was Rs. 60,000 and the drawings of Lara and Rose were Rs. 18,000 and Rs. 12,000 respectively. Show the capital and current accounts of the partners.

39. 14. Sundar, Sankar and Sharma are partners sharing profits and losses as to Sundar 1/2, Sankar 1/3 and Sharma 1/6. On 31st December 1990, their capital accounts, after including the profit for the year ended 31st December 1990, and dealings with drawings stood at Rs. 13,000, Rs. 10,000 and Rs. 5,750 respectively.

40. Subsequently they found out that interest on capital at 5% per annum and interest on drawings at the same rate had been omitted. The profit for the year in arriving at the above figures of capitals amounted to Rs. 9,000. The drawings of Sundar, Shankar and Sharma

during the year had been Rs. 1,500, Rs. 500 and Rs. 750 respectively. The interest on drawings works out to be Rs. 35 for Sundar, Rs. 20 for Shankar and Rs. 20 for Sharma.

41. Give the necessary entries for rectifying the above omission. Also prepare profit &loss appropriation a/c and the revised capital accounts of Sundar, Sankar and Sharma.
42. Three chartered accountants Gopu, Babu and Ramu form a partnership, sharing profit and losses in the ratio of 3:2:1 subject to the following conditions :

 i) Ramu's share of profits is guaranteed to be not less than Rs. 90,000 p.a.

 ii)Babu gives guarantee to the effect that the average gross fee earned by him for the firm shall not be less than the average gross fee earned by him during the presiding five years when he was carrying on profession alone (which on average works out at Rs. 1,50,000)
43. The profit for the first year of the partnership is Rs. 4,50,000. The gross fees earned by Babu for the firm are Rs. 96,000. You are required to show the P & L A/c and Current A/c of the partners.
44. A and b are partners in the firm. They share profits and losses in the ratio of 3:1.their balance sheet is as follows :

Liabilities	**Rs**	**Assets**	**Rs**
Capital : A B	 80000 40000	Building Plant	100000 25000
Reserve Creditors Billspayable	40000 60000 20000	Stock Debtors Cash	40000 70000 5000
	2,40,000		2,40,000

C is admitted into partnership for 1/5 to share of business on the following terms.

i)Building is revalued at Rs 1,20,000

ii)Plant is depreciated to 80%

iii)Provision for bad debts is made to 5%

iv)Stock is revalued at Rs 30,000

v)C should introduce 50% of the adjusted capitals of both a and b. Open various accounts and the new balance sheet after the admission of c.

45. A and B are partners sharing profits in the ratio 3:1.Their balance sheet stood as under on 31.3.2004:

Liabilities	Rs.	Assets	Rs.
Salary due	5,000	Stock	10,000
Creditors	40,000	Prepaid Insurance	1,000
Capital:		Debtors 8,000	
A: 30,000		Less: 500	7,500
B: 20,000	50,000	Cash	18,000
		Machinery	22,000
		Buildings	30,000
		Furniture	6,000
	95,000		**95,000**

C is admitted as a new partner introducing a capital ofRs. 20,000, for his 1/4th share in future profits.

Following revaluations are made:

- Stock be depreciated by 5%
- Furniture be depreciated by 10%
- Building be revaluated at Rs. 45,000
- The provision for doubtful debts should be increased to Rs. 1,000.

Pass Journal entries, prepare Revaluation A/c and Balance sheet after admission

46. X commenced his business with a capital of Rs 2,50,000 on 1st April 2006.during the five years ended 31st March 2011,the result of his business were :

2006-07	5,000(loss)
2007-08	13,000(profit)
2008-09	17,000(profit)
2009-10	20,000(profit)
2010-11	25,000(profit)

During the period, he withdrew Rs40,000 for his personal use. On 1st April 2011,he admitted y into partnership on the following terms.

- Goodwill is to be valued at 3 times the average profits of last 5 years.
- Y will have 1/2share of the future profits.
- He will bring in his share of goodwill in cash.
- He will bring in capital in cash equal to that of X after admission.

Find the amount to be brought in by y and pass entries to record the transactions pertaining to admission.

47. Explain the rules of accounting under fixed capital method in dissolution of firm
48. Discuss the rules implication laid down by Garner VS Murray
49. Describe the insolvency of a partner?
50. Red, white, and blue are in partnership. The following is their balance sheet as at 31.12.85 on which date, they dissolved partnership. They share profits in the ratio of 5:3:2.

Liabilities	**Rs.**	**Assets**	**Rs.**
Capitals:		Premises	40,000
Red	50,000	Plant	30,000
White	15,000	Stock	30,000
Blue	45,000	debtors	60,000
Creditors	40,000		
Red's loan	10,000		
	1,60,000		1,60,000

It was agreed to repay the amount due to the partners as and when the assets where realized, viz:

1.2.86 Rs.30,000

1.4.86 Rs.73,000

1.6.86 Rs.47,000

51. Prepare a statement showing how the distribution to the partners should be made:P,Q and R are partners in a firm. They share profit and losses equally. Their balance sheet on 31.12.92. is given as under:

Liabilities	Rs.	Assets	Rs.
Capitals		Machinery	40,000
P	16,000	Furniture	16,000
R	12,000	Debtors	40,000
Reserve fund	18,000	Cash at bank	8,000
Creditors	64,000	Q's capital	6,000
	1,10,000		1,10,000

52. The partnership is dissolved due to insolvency of Q who is unable to contribute anything in the payment of his debt to the firm. Machinery realized Rs.30,000 and furniture Rs.6,400. Only Rs.24,000 was recovered from the debtors. Creditors were paid at discount of 5%. Prepare necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner vs Murray rule.

The following was the balance sheet of A and B on 31.12.83.

Liabilities	Rs.	Assets.	Rs.
Sundry creditors	38,000	Cash at bank	11,500
	10,000	Stock-in-trade	6,000
Mrs. A's loan	15,000	Debtors 20,000 Less:provision 1,000	
B' loan	5,000		19,000
		Fixture and fittings	
Reserve fund	10,000	Plant and machinery	4,000
		Investment	

A's capital	8,000	Profit and loss A/c	28,000
B's capital			10,000
			7,500
		Total	
	86,000		86,000
Total			

The firm was dissolved on 31.12.83 and the following was the result:

- A took over the investment at an agreed value of Rs.8,000 and agreed to pay off the loan to Mrs. A

The assets realized as follows:

- Stock Rs.5,000 debtors Rs.18,500; fixtures and fitting Rs.4,500 and plant and machinery Rs.25,000.
- The expenses were Rs.1,100.
- The sundry creditors were paid of less 2.5% discount.
- A and B shared profit and losses in the ratio of 3:2. Journalise the entries to be made on dissolution.

53. The balance sheet p,q and r who are sharing profit and losses in the ratio of 2:2:1 Respectively, was as follows in 31.3.2011:

Liabilities	Rs	Assets	Rs
Bills payable	3,200	Cash	12,825
Creditors	6,250	Bills payable	2,700
Capital A/C	20,000	Debtors	8,900
P	12,000	Stock	11,150

Q	10,000	Furniture	1,750
R		Machinery	4,875
	2,250	Buildings	12,000
Profits&Loss A/C			
	54,200		54,200

P retires from the business form 1.4.2011 and his share in the firm is to be ascertained on a revaluation of the assets as follows as follows: stock-Rs.10,000 Furniture-RS. 1500, Machinery-Rs.4,500 buildings-Rs.10,000 andRS.425 is to be provided for doubtful debts. The good will f the firm is to be valued at Rs. 3,000. 'P' is to be paid Rs.5,525 in cash on retirement and balance in 3 equal yearly instalments with interest at 5% per annum. Pass journal entries and show the necessary ledger accounts and new balance sheet of Q and R and P's loan A/C for three years.

54. P,Q and R were equal partners , r retired on 1.1.2010. The balance sheet of the firm on 31.12.2009. stood as follows:

Liablities	Rs.	Assets	Rs.
Capital accounts		Goodwill	25,000
P	50,000	Buildings	50,000
Q	30,000	Investment	10,000
R	30,000	Stock	12,000
Investment fluctuation fund	2,000	Debtors 20,000	
Contingency reserve	6,000	Less:Provision 1,000	19,000
creditors	22,000	Cash in hand	2,000
		Cash at bank	22,000

	1,40,000		1,40,000

On the date of retirement it was that

- Building be valued at Rs.60,000
- Investment fluctuation fund be brought to Rs.1,100
- Debtors being all good: no reserve is required
- Stock be taken at Rs.11,000
- Good will be valued at 2 years purchase of the average profit of the past 5 years.
- R's share of profit to the date of retirement be calculated on the basic of average profit of the preceding three years.

55. The profit for the preceding five years were as under:

2005:Rs.12,000;2006:RS.13,500;2007:RS.8,000;2008:Rs.10,000;2009:Rs.9,000,

pass journal entries ,give partners capital accounts and the revised balance sheet.

K, L,&M are partners sharing profits in the ratio of 4:3:2. Their balance sheet on 31.3.2011.was:

Liabilites	Rs.	Assets	Rs.
Creditors	26.400	Cash in hand	4,000
General reserve	21.600	Cash at Bank	4,000
Capital A/C		Debtors	12,000
K 56,000		Stock	24,000
L 36,000		Machinery	40,000

M 24,000	1,16,000	Land and building	80,000
	1,64,000		1,64,000

The firm had a joint life policy for a Rs.32,000. The surrender value of the policy was Rs.10,800 as on 31.3.2011.

L retires on the above date on the following terms:

- A provision of Rs.1,200 be made in respect of legal charges
- Good will is valued at Rs.14, 400.
- Machinery written down by 10% and stock by 5%
- Land and building be appreciated by 20%
- A provision for doubtful debts of 5% to be created.
- L to be paid Rs.2,000 by cheque and Rs.2,000 by cash at the time of retirement and balance be transferred his loan account.

56. Following is the balance sheet of X,Y and Z as at 31.12.2010.

Liabilities	Rs.	Assets	Rs.

Creditors Capitals A/C X Y Z Reserve	4,000 20,000 10,000 10,000 6,400	Cash in hand Cash in bank Debtors Stock Plant and machinery Good will	400 10,000 12,000 8,000 12,000 8,000
	50,400		50,400

Z died on 14.3.2011 under the terms of partnership deed the executors of a decreased partner were entitled to:

- Amount standing to the credit of partner's capital A/c
- Interest on capital balance at 5% per annum
- Share of goodwill on the basis of twice the average of the past three years profits and
- Share of profits from the closing of the last financial year to the date of death on the basis of the average of the three completed years profit before the death.
- Profit for 2008-10 were respectively Rs. 12000, Rs. 14000 and Rs. 16000. Profit were shared in the ratio of capitals.

Pass the necessary journal entries and draw up Z's A/c to be recorded to his executors.

57. Laurel and hardy were carrying on business as equal partners. If was agreed that laurel should retire from the firm and his son Charlie should join the firm on the same date for 1\3rd of the profits of the business. The balance sheet of the firm as on 31-03-2001 was as follows.

Liabilities	Rs	Assets	Rs
Creditors Capital : Laurel Hardy	98000 34000 28200	Bank Debtors Furniture	11000 16100 14200 20750 10000

		Buildings goodwill	
	72000		**72000**

On 31-03-2001 goodwill was valued at Rs. 27500 and building at Rs. 24000 it was agreed that enough money should be introduced to enable laurel to be paid out and leave Rs. 10000 by way of working capital. Hardy and Charlie were to provide such sums as would make there capital Proportionate to the share of profits. Laurel agreed to provide half of the capital which Charlie have to provide.

Give necessary Journal entries. Prepare necessary accounts and the balance sheet of hardy and Charlie

58. A,B and C were partners sharing profits in the ratio of 3:2:1. Their balance sheet on 31-12-93 was as follows:

Liabilities	Rs	Assets	Rs
Creditors Capital: A B C	30000 140000 100000 60000	Cash Machinery Goodwill	110000 120000 100000
	330000		330000

The following steps were taken on 01.01.94

- C retired and his interest in the firm was valued at Rs. 80000. It was purchased by A and B from their private resource in their profit sharing proportion.
- D was admitted and become entitled to 1\6th share of profits on the condition that A and B should be credited proportionally for goodwill amounting to Rs. 60000 to

be brought in cash by D and he should bring in capital of A and B after adjustments.

Prepare partners capital accounts and show the opening balance sheet of the reconstituted firm as on 01.01.94

59. Difference between gaining ratio and sacrificing ratio. Explain about retirement cum admission.
60. Explain joined life policy
61. Explain the treatment of goodwill on retirement /death of a partner
62. Explain the adjustment for the capital after retirement/death of a partner