B.COM – BANKING AND INSURANCE
18UBI203–HIGHER FINANCIAL ACCOUNTING

K1 – LEVEL

UNIT - I

1. When was the Indian partnership Act brought up ________
   a) 1932
   b) 1972
   c) 1949
   d) 1956
2. Following is the difference between partnership deed and agreement_______
   a) Partnership deed is in the writing and partnership agreement is oral.
   b) Partnership deed is signed by all but partnership agreement is signed by majority of partners
   c) Partnership deed is registered in the court of law where as partnership agreement is not registered.
   d) All of the above
3. In the absence of any agreement, partners are liable to receive interest on their loan at
   a) 12% p.a.
   b) 10 % p.a.
   c) 6% p.a.
   d) 20 % p.a.
4. In the absence of an agreement partners are entitled to _______
   a) Salary
   b) Commission
   c) Interest on loans and advances
   d) Wages
5. Interest on capital will be paid to the partners if provided for in the agreement but only from_____
   a) Current year profits
   b) Reserves
   c) Goodwill
   d) Surplus
6. What would be the profit sharing ratio, if the partnership Act is complied with_____
   a) As per agreement
   b) Equally
   c) In capital Ratio
   d) Mutual sharing
7. Profit and loss appropriation account is prepared _________
   a) For proprietorship firm
   b) For Partnership firm
   c) For companies
   d) Both A&B
8. Is rent paid to a partner is appropriation of profits _______________
   a) Yes
   b) No

9. What balance does partner current account has __________
   a) Debit balance
   b) Credit balance
   c) Reserves
   d) Either A or B
10. 10. What time would be taken into consideration it equal monthly amount is drawn as drawings at the beginning of each month?
   a) 7 months
   b) 6.5 months
   c) 6months
   d) 8months
11. Gaining ratio = __________
   a) Old ratio- new ratio
   b) New ratio – Old ratio
   c) Sacrificing Ratio- new ratio
   d) Profit sharing ratio
12. Treatment of goodwill on retirement of a partner is dealing with ______
   a) AS-10
   b) AS-14
   c) AS-17
   d) AS-11
13. It is the ratio at which the continuing partners take up retiring partner's share is called____
   a) Sacrificing Ratio
   b) Profit sharing ratio
   c) Gaining ratio
   d) Old ratio
14. When the firm does not have sufficient amount to pay off the retiring partner, it can pay the amount in _________
   a) Installment
   b) Lump sum
   c) Perceptual annuity
   d) Interest method
15. If the firm has sufficient cash, it can pay the amount to be given to the retiring partner. It is called______
   a) Installment
   b) Lump sum
   c) Perceptual annuity
   d) Interest method
16. When one partner retires, the continuing partners may decide to admit a new partner, it is called________
   a) Admission
   b) Retirement
   c) Retirement cum Admission
   d) Death of a Partner
17. The total amount due is divided by a number of equal installments and the installment amount plus interest is paid accordingly.
   a) Equated installment method
   b) Annuity method
   c) Decreasing Payment method

d) Sales basis

18. The total amount due is divided into a number of equal installments in such a way that the amount of each installment including interest should always be equal_______
    a) Equated installment method
    b)Annuity method
    c) Decreasing Payment method
    d) Sales basis
19. The value is the value which is payable immediately to the insured on surrendering all rights of the policy to the company is known as______
    a) Joint life policy
    b) Premium
    c) Surrender value
    d) Individual policy
20. The legal representatives of the deceased partner can receive, interest at the rate of ____
    a) 10% p.a
    b) 13% p.a
    c)14 % p.a
    d) 6% p.a

UNIT - II

21. Closing down the undertaking or suspending permanently the activities of a partnership business is called______
    a) Dissolution of a firm
    b) Winding up
    c) Amalgamation
    d) External reconstruction
22. In "Dissolution" , "I" means_______

    a) Insolvent
    b) Indemnity
    c) Incapacity
    d) Illegal
23. In "Dissolution", "L" means_______
    a) Lunacy
    b) Loss
    c) Liability
    d) Legal
24. When the number of partners exceeds 20, is known as______
    a) Dissolution by agreement
    b) Compulsory dissolution
    c) Voluntary dissolution
    d) Dissolution by court
25. A firm may also get dissolved, on the completion of the venture agreed, is known as_____
    a) Dissolution happening of certain events
    b) Dissolution by agreement
    c) Voluntary dissolution
    d) Dissolution by court
26. When a partner becomes of unsound mind, is known as ______

a) Happening of certain events Dissolution
b) Dissolution by agreement
c) Voluntary dissolution
d) Dissolution by court

27. When a firm dissolved, the books of the firm are to be closed. This is done by preparing an account called______
a) Realisation Account
b) Profit & loss account
c) Balance sheet
d) Trading account
28. When a partner becomes insolvent______
a) Liabilities more than assets
b)Assets more than liabilities
c) Capital more than liabilities
d) Reserves more than liabilities
29. The amount is payable to partners whose capitals are relatively in excess of their profit sharing ratio is calculated, is known as______
a) Proportionate capital method
b) Fixed capital method
c) Maximum loss method
d) Minimum loss method
30. At every stage of realization, it is presumed that there would be no further realization,it is also   called_____
a) Proportionate capital method
b) Fixed capital method
c) Maximum loss method
d) Minimum loss method
31. Major types of fire insurance policies issued by insurance companies are
a) Loss of stock policy
b) Loss of profits policy
c) Both a and b
d) None of these
32. Loss of profits policy is also known as_____
a)Consequential loss policies
b) Loss of stock policy
c) Both a and b
d) None of these
33. When claim is lodged for loss of stock, stock salvaged is _____ from stock on the date of fire.
a) Subtracted
b) Added
c) Multiplied
d) None of these
34. If no ledger account is maintained for stock, the value of the stock on the date of fire is calculated by
a) Gross profit ratio basis
b) Net profit ratio basis
c) Average class basis
d) None of these

35. If stock on the date of fire is more than the insured stock, the claim must be computed based on
    a) Average clause
    b) Gross profit basis
    c) Net profit ratio
    d) None of these
36. The period for which insurance policy is taken against the risk of fire is known as
    a) Indemnity period
    b) Affected period
    c) Normal working period
    d) Risk period
37. The period for which normal working is affected because of fire is known as
    a) Affected period
    b) Indemnity period
    c) Standard period
    d) None of these
38. The actual sales made during the period in which work is affected by fire is known as
    a) Affected period turnover
    b) Standard turnover
    c) Accounting year turnover
    d) Saved turnover
39. The sakes during the same month as the affected period in the previous year is known as
    a) Standard turnover
    b) Accounting year turnover
    c) Saved turnover
    d) Affected period turnover
40. The sales in the last accounting year for which accounts were prepared is known as
    a) Accounting year turnover
    b) Standard turnover
    c) Saved turnover
    d) Annual turnover

UNIT - III

41. The sales during the twelve months exactly before fire is known as
    a) Annual turnover
    b) Standard turnover
    c) Saved turnover
    d) Accounting year turnover
42. The sales achieved due to spending additional amounts during the affected period is known as
    a) Saved turnover
    b) Standard turnover
    c) Annual turnover
    d) Accounting year turnover
43. The fixed expenses which have to be paid whether work is carried on or not like salaries, rent, directors fees known as
    a) Standing charges
    b) Insured standing charges
    c) Un insured standing charges

d) None of these

44. Fixed expenses which are mentioned in the policy taken by the insured firm is known as
    a) Insured standing charges
    b) Un insured standing charges
    c) Standing charges
    d) None of these
45. The fixed expenses which are not mentioned in the insurance policy but still incurred by the insured firm is known as
    a) Un insured standing charges
    b) Insured standing charges
    c) Standing charges
    d) None of these
46. The difference between standard turnover and affected period turnover
    a) Short sales
    b)Insured standing
    c) Standing charges
    d) None of these
47. Due to fire, some fixed costs need not be paid such costs is called
    a) Saving in standing charges
    b) Additional charges
    c) Expected standing charges
    d) None of these
48. Actual loss of stock = stock on the date of fire - _____
    a) Salvage value
    b) Actual value
    c) Normal value
    d) None of these
49. Advertising samples and goods drawings have to be reduced in memorandum trading account from
    a) Purchase a/c
    b) Sales a/c
    c) Stock
    d) None of these
50. _____ account can be prepared for the period from the beginning of the accounting year till the date of fire
    a) Trading a/c
    b) Memorandum trading a/c
    c) Sales a/c
    d) None of these
51. Normally Gross profit is calculated as a percentage of _____
    a) Sales
    b) Purchase
    c) Loss
    d) Stock
52. The balancing figure in the memorandum trading account is _____
    a) Stock on the date of fire
    b) Opening stock
    c) Closing stock
    d) None of these
53. Retiring or outgoing partner:

a) Is liable for firm's liabilities.

b) Not liable for any liabilities of the firm.

c) **Is liable for obligations incurred before his retirement**.

d) Is liable for obligations incurred before and after his retirement.

54. A, B and C are partners with profits sharing ratio 4:3:2. B retires. If A & C shares profits of B in 5:3, then find the new profit-sharing ratio.

a) 47:25.

b) 17:11.

c) 31:11.

d) 14:21.

55. C, D and E are partners sharing profits and losses in the proportion of ½, 1/3 and 1/6. D retired and the new profit-sharing ratio between C and E is 3:2 and the Reserve of 12,000 is divided among the partners in the ratio:

- 2,000: 4,000:6,000.
- 5,000: 5,000: 2,000.
- 4,000: 6,000:2,000.
- **6,000: 4,000: 2,000**.

56. Outgoing partner is compensated for parting with firm's future profits in favour of remainingpartners.Inwhatratiodotheremainingpartnerscontributetosuchcompensation amount?

- **Gaining Ratio**.
- Capital Ratio.
- Sacrificing Ratio.
- Profit Sharing Ratio.

57. Joint Life Policy is taken by the firm on the life(s) of ______ .

- One partner
- **All the partners severely**.
- On the life of all the partners and employees of the firm.
- None of the above

58. At the time of retirement of a partner, firm gets_____ from the insurance company against the Joint Life Policy taken jointly for all the partners.

- Policy Amount.
- **Surrender Value**.
- Policy Value for the retiring partner and Surrender Value for the rest.
- Surrender Value for all the partners.

59. A, B and C takes a Joint Life Policy, after five years B retires from the firm.Oldprofit-sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a Joint Life Policy of 2,50,000 with the surrender value 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy premium is fully charged to revenue as and when paid?

- **50,000 credited to all the partners in old ratio**.
- 2,50,000 credited to all the partners in old ratio.
- 2,00,000 credited to all the partners in old ratio.

- No treatment is required.

60. A, B and C takes a Joint Life Policy, after five years, B retires from the firm. Old profit-sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a Joint Life Policy of 2,50,000 with the surrender value 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at the surrender value?
    - 50,000 credited to all the partners in old ratio.
    - 2,50,000 credited to all the partners in old ratio.
    - 2,00,000 credited to all the partners in old ratio.
    - **No treatment is required.**

UNIT - IV

61. A, B and C takes a Joint Life Policy, after five years B retires from the firm. Old profit-sharing ratio is 2:2:1. After retirement A and C decides to share profits equally. They had taken a Joint Life Policy of 2,50,000 with the surrender value 50,000. What will be the treatment in the partner's capital account on receiving the JLP amount if joint life policy is maintained at surrender value along with the reserve?
    - 50,000 credited to all the partners in old ratio.
    - 2,50,000 credited to all the partners in old ratio.
    - 2,00,000 credited to all the partners in old ratio.
    - **Distribute JLP Reserve Account in old profit-sharing ratio**.
62. A, B and C are partners sharing profits in the ratio 2:2:1. On retirement of B, goodwill was valued as 30,000. Find the contribution of A and C to compensate B.
    - 20,000 and`10,000.
    - **8,000 and `4,000.**
    - They will not contribute anything.
    - Information is insufficient for any comment.
63. Claim of the retiring partner is payable in the following form.
    - Fully in cash.
    - Fully transferred to loan account to be paid later with some interest omit.
    - Partly in cash and partly as loan repayable later with agreed interest.
    - **Any of the above method.**
64. A, B and C were partners in a firm sharing profits and losses in the ratio of 2:2:1respectively with the capital balance of 50,000 for A and B, for C 25,000.B declared to retire from the firm and balance in reserve on the date was 15,000. If goodwill of the firm was valued as 30,000 and profit on revaluation was 7,050 then what amount will be transferred to the loan account of B.
    - **70,820**.
    - 50,820.
    - 25,820.
    - 58,820.
65. A,B and C are partners sharing profits and losses in the ratio of 3:2:1.C retires on a decided date and Goodwill of the firm is to be valued at`60,000.Find the amount payable to retiring partner on account of goodwill.

- 30,000.
- 20,000.
- **10,000.**
- 60,000.

66. A, B and C were partners sharing profits and losses in the ratio of 3:2:1. A retired and Goodwill of the firm is to be valued at 24,000. What will be the treatment for goodwill?
    - Credited to Revaluation Account at 24,000.
    - **Adjusted through partners' capital accounts in gaining/sacrificing ratio**.
    - Only A's capital account credited with 12,000.
    - Only A's capital account credited with 24,000.
67. A, B and C were partners sharing profits and losses in the ratio of 3:2:1. A retired and firm received the joint life policy as 7,500 appearing in the balance sheet at 10,000. JLP is credited and cash debited with 7,500, what will be the treatment for the balance in Joint Life Policy?
    - Credited to partner's current account in profit sharing ratio.
    - **Debited to revaluation account**.
    - Debited to partner's capital account
    - None of the above
68. Balances of M/s. Ram, Rahul and Rohit sharing profits and losses in proportion to their capitals, stood as Ram - 3,00,000; Rahul - 2,00,000 and Rohit - 1,00,000. Ram desired to retire from the firm and the remaining partners decided to carry on, Joint life policy of the partners surrendered and cash obtained 60,000. What will be the treatment for Joint Life Policy Account?
    - 60,000 credited to Revaluation Account.
    - **60,000 credited to Joint Life Policy Account.**
    - 30,000 debited to Ram's Capital Account.
    - None of the above
69. Balances of A, B and C sharing profits and losses in proportion to their capitals, stood as A - 2,00,000; B - 3,00,000 and C - 2,00,000; Joint Life Policy Reserve A/c 80,000 and Joint Life Policy A/c is shown in the Balance Sheet 80,000. A desired to retire from the firm and the remaining partners decided to carry on in equal ratio, Joint life policy of the partners surrendered and cash obtained 80,000. What will be the treatment for Joint Life Policy Reserve A/c?
    - Cash received credited to Revaluation Account.
    - **JLP Reserve balance credited to Partner's Capital Account in old profit sharing ratio.**
    - JLP Reserve balance credited to Partner's Capital Account in new profit sharing ratio.
    - Cash received credited to Partners' Capital Accounts in old profit sharing ratio.
70. Balances of A, B and C sharing profits and losses in proportionate to their capitals, stood as A - 2,00,000; B - 3,00,000 and C - 2,00,000. A desired to retire from the firm, B and C share the future profits equally, Goodwill of the entire firm be valued at ` 1,40,000 and no Goodwill account being raised.

- Credit Partner's Capital Account with old profit-sharing ratio for 1,40,000.
- Credit Partner's Capital Account with new profit-sharing ratio for 1,40,000.
- **Credit A's Account with ` 40,000 and debit B's Capital Account with 10,000 and C's Capital Account with 30,000.**
- Credit Partner's Capital Account with gaining ratio for 1,40,000.

71. Balances of Ram, Hari &Mohan sharing profits and losses in the ratio 2:3:2 stood as Ram- 10,00,000; Hari - 15,00,000; Mohan - 10,00,000; Joint Life Policy 3,50,000. Hari desired to retire from the firm and the remaining partners decided to carry on with the future profit-sharing ratio of 3:2. Joint Life Policy of the partners surrendered and cash obtained 3,50,000. What would be the treatment for JLPA/c?
    - 3,50,000 credited to partner's capital account in new ratio.
    - 3,50,000 credited to partner's capital account in old ratio.
    - 3,50,000 credited to partner's capital account in capital ratio.
    - **3,50,000 credited to JLP account**.
72. All external liabilities are transferred to the Credit side of ———— account .
    - Bank
    - **Realisation**
    - Capital
    - Cash
73. Accumulated losses are transferred to Capital Accounts ——— .
    - equal ratio
    - Gaining ratio
    - New ratio
    - **profit sharing ratio**
74. If a liability is assumed by a partner, such Partner's Account is __________ credited .
    - Bank
    - **Realisation**
    - Capital
    - Cash
75. If a partner takes over an asset, such Partner's Capital Account is ______________ .
    - **debited**
    - credited
    - over draft
    - none of these
76. No entry is required when a **creditor** accepts a ______ in payment of his dues.
    - Current asset
    - **Fixed asset**
    - Goodwill
    - none of these
77. When creditor accepts an asset, whose value is more than the amount due to him, he will ——————the excess amount which will be credited Realisation .

- **Pay**
- not pay
- no need
- none of these

78. Partner's loan is ——————in the Realisation Account.

- recorded
- **not recorded**
- compulsory recorded
- no need

79. Partner's current accounts are transferred to respective ————————.

- Partners' Loan Accounts.
- **Capital** Accounts.
- Good will Accounts.
- Fixed Accounts.

80. When the firm has agreed to pay the partner a fixed amount for realisation work irrespective of the actual amount spent, such fixed amount is debited to ________ Account and Credited to **Capital** Account.

- Bank
- Capital
- Cash
- **Realisation**

UNIT - V

81. On dissolution of a firm, bank overdraft is transferred to ______.

- Cash Account
- Bank Account
- **Realisation Account**
- Partner's capital Account.

82. On dissolution of a firm, partner's loan account is transferred to ______.

- Realisation Account
- Partner's Capital Account
- Partner's Current Account
- **None of the above.**

83. After transferring liabilities like creditors and bills payables in the Realisation Account, in the absence of any information regarding then payment, such liabilities are treated as _______.

- Never paid
- **Fully paid**
- Partly paid
- None of the above.

84. When realisation expenses are paid by the firm on behalf of a partner, such expenses are debited to __________.

- Realisation Account
- Partner’s Capital Account
- Partner’s Loan Account
- **None of the above.**

85. Unrecorded assets when taken over by a partner are shown in _________.

- Debit of Realisation Account
- Debit of Bank Account
- **Credit of Realisation Account**
- Credit of Bank Account.

.

86. The accumulated profits and reserves are transferred to ________.

- Realisation Account
- **Partners’ Capital Accounts**
- Bank Account
- None of the above.

87. On dissolution of the firm, partner’s capital accounts are closed through ________.

- Realisation Account
- Drawings Account
- **Bank Account**
- Loan Account

88. A maximum time limit, for completion of the insolvency resolution process,has been set for corporates and ________ .

- **individuals**
- Partner
- Agent
- All of these

89. The tests for an insolvent partnership are similar to the _____generally accepted tests for an insolvent company.

- Four
- Six
- Two
- Ten

90. The Presidency Towns Insolvency Act trade tools of the insolvent, wearing apparels, cooking utensils, bedding and furniture, not exceeding _____in value, are not available for distribution.

- Rs. 30
- Rs. 500
- **Rs. 300**
- Rs. 800

91. A solvent partner should bring his share in realization loss in ________ .

- **cash**
- bonds
- shares
- debentures

92. ____________ is a partner whose personal assets are more than his personal liabilities.

- **Solvent partner**
- Sleeping partner
- Working partner
- All of these

93. The __________ is required to **account** for the loss to the amount of his capital and of his Creditors.

- insolvent trustee
- insolvent agent
- insolvent creditor
- **insolvent debtor**

94.The word 'Insolvency' is used in India and 'Bankruptcy' in ________ .

- USA
- UK
- **England**
- None of these

95. A creditor shall not be entitled to present insolvency petition unless the debt, singly or jointly, is at least ____ and the Debtor commits an act of insolvency.

- Rs. **500**
- Rs. 800
- Rs. 50
- Rs. 5000

96.The Presidency Towns Insolvency Act of _____ which is applicable to the cities of

Bombay, Calcutta and Madras.

- 1975
- 1959
- 1999
- **1909**

97. The Provincial Insolvency Act of ____ applicable to the rest of India.

- 1959
- **1920**
- 1932
- 1925

98. A person, adjudicated as an insolvent, has to make out and submit a Statement of Affairs and a ________ .

- Realisation Account
- Drawings Account
- Capital account
- **Deficiency Account.**

99. A ______ is not allowed to claim interest after the date of insolvency.

- **Creditor**
- Debtor
- Agent
- Banker

100. In case of insolvency of the firm, separate ______ and Deficiency Accounts are to be prepared for the firm and for each of the partners.

- **Statement of Affairs**
- Journal
- Ledger
- None of these

K2 – LEVEL

UNIT - I

1. **What do you mean by Partnership?**
   Partnership is the relationship between persons who have agreed to share profit.
2. **List out the essential features of a Partnership.**
   Persons, Agreement, Sharing of Profits, Business and Management.
3. **What do you mean by Partnership Deed?**
   The document which contains the terms and conditions regarding the conduct of partnership is called partnership deed.
4. **Name the two types of Capital accounts followed in Partnership.**
   Fixed capital accounts
   Fluctuating capital accounts
5. **Write the difference between fixed capital and fluctuating capital accounts?**
   In fixed capital accounts the partners agreed the amount of contribution by them remain fixed and the capital account is fixed.
   In fluctuating capital accounts all the adjustments will be made in the capital accounts the balance of capital accounts will fluctuate from year to year.
6. **Mention the usual adjustments will be made in Partnership accounts.**
   Interest on Capital, Interest on Drawings and Partners salary or Commission.
7. **What do you mean by Guarantee in Partnership firm?**
8. A partner is taken into the firm on the guarantee that he shallbe given a minimum amount of the firm even if there are no profits or his share of profits falls short of the guaranteed amount.
9. **State the reasons for a change in constitution of the firms.**
   There may be a number of changes in the constitution of the firm without the firm coming to the end. Changes may be due to …. The admission of a new partner, The retirement of a partner. The death of a partner.
10. **Name the main rights of a new partner in a firm.**
    Whenever a partner is admitted into the partnership firm he acquires two rights
    Right to share in the assets of the Partnership
    Right to share in the profits of the business.
11. **Who do you mean by premium in partnership accounts?**
    Whenever a new partner is admitted into the partnership the existing partner will get low profit, he sacrifice some portion to new partner, for this the new partner pay some amount to old partner. It is known as premium.
12. **What do you mean by Sacrificing Ratio?**
    Sacrificing ratio means the forgoing a fraction of share in favour of a new partner by old partners. it is calculated at the time of admission of a partner by deducting new profit sharing ratio from old profit sharing ratio.
13. **What do you mean by revaluation of assets and liabilities?**
    At the time of admission of new partner revaluation will be done for avoiding benefited or suffered in assets and liabilities. Changes in value of assets and liabilities recorded in revaluation account.
14. **Give the journal entries for increase in asset, decrease in liability and loss in revaluation account.**

Assets A/c	Dr	xxx	
Liability A/c	Dr	xxx	
Old Partner Capital A/c	Dr	xxx	
To Revaluatin A/c			xxx

15. **Give the journal entries for decrease in asset, increase in liability and profit in revaluation account.**

Revaluation A/c	xxx	
To Assets A/c		xxx
To Liability A/c		xxx
To Old Partner Capital A/c		xxx

16. **What do you mean by Memorandum Revaluation Method?**
    Sometimes the partners may agree that not to change in assets and liabilities, the decrease or increase in value is recorded in the memorandum revaluation account but no corresponding entry is made in the assets and liabilities.
17. **What do you mean by Goodwill in a firm?**
    Goodwill is the value of the reputation of a firm in respect of profits expected in future over and above in the normal profits.
18. **List out the methods of valuation of Goodwill in a firm.**
    The valuation of goodwill is mentioned in the partnership deed. The following are the main methods of valuing the Goodwill
    Average profit method
    Super profit method
    Capitalisation method
19. **What do you mean by average profit method?**
    In this method the average of the profits of last three or four years is calculated. If is multiplied by the number of years. The anticipatory profit will be available. For example in the year 2000 – Rs 8000 in 2001 – Rs 10000 and 2002 – Rs 12000 = 30000/3 = 10000, value of goodwill is = 10000x2 = 20000.
20. **What do you mean by super profit method?**
    In this method, it is assumed that a normal percentage of profit can be earned in the same type of business or industry on a certain amount of investment and compared with actual profit earned. If the actual is more than normal, the amount is known as super profit.

UNIT - II

21. **What do you mean by capitalization method?**
    In this method the general expectation in the same industry is taking into consideration and the average profits are capitalized.
22. **What do you mean by undistributed profits and losses in partnership accounts?**
    If there is some undistributed profits in the name of general reserve or profit and loss account credit balance it should be divided among the old partners in the old profit sharing ratio.
    If profit and loss account debit balance is appearing on the assets side of the balance sheet, it should be closed by transfer to old partners capital account in their old profit sharing ratio.
23. **What do you mean by Indemnity period?**
    This is the period for which insurance policy is taken against the risk of fire. Indemnity period refers to the length of period which may be affected by fire.
24. **What do you mean by Affected period?**
    This is the period for which normal working is affected because of fire.
25. **Write the difference between Affected period turnover and Standard turnover?**
    Actual sales made during the period in which work is affected by fire is known as affected period turnover. The sales during the same months as the affected period in the previous year is known as standard turnover.
26. **What is mean by Short sales?**

The difference between standard turnover and affected period turnover is known as short sales.

27. **Distinguish between Insured standing charges and Uninsured standing charges.**
    Fixed expenses which are mentioned in the policy taken by the insured firm is termed as insured standing charges where as fixed expenses which are not mentioned in the insurance policy, but still incurred by the insured firm.
28. **What do you mean by Saving in standing charges?**
    Due to fire, some fixed costs need not be paid. The total of such costs is called 'Saving in standing charges".
29. **What do you mean by standing charges?**
    These are the fixed expenses which have to be paid whether work is carried on or not, like salaries, rent, directors' feed, postage etc.,
30. **Write the two major types of Fire Insurance Policies?**
    There are two major types of policies issued by insurance companies. Loss of stock policies, Loss of profits or Consequential loss policies.
31. **What is mean by Loss of stock claims?**
    Business units who have insured their Godown or store against the risk of loss of stock by fire are eligible to lodge loss of stock claims when a fire causes loss of their stock.
32. **What do you mean by Salvage value or Stock salvaged?**
    Salvage: fire may destroy some items of stock completely some other portion of stock may be damaged and some items of stock may not be affected at all. The damaged stock and undamaged stock are separately valued and are called salvage value or stock salvaged.
33. **How do you calculate Gross profit ratio?**
    Gross Profit Ratio = Gross Profit / Sales x 100
34. **What is mean by Average clause?**
    If stock on the date of fire is more than the insured stock average clause must be applied to compute claim.
    Actual loss of stock = stock on the date of fire – salvage value.
    Claim to be lodged = Insured stock / Stock on the date of fire x Actual loss of stock.
35. **What do you known about claim for loss of profits?**
    Insurance policies taken for loss of profits are also called consequential policies. Under a consequential policy, the insurer indemnifies the policy holder against losses arising from the suspension, wholly or partly of the activities of the business caused by firm.
36. **What is mean by Insolvent?**
    Insolvent is one who is not able to pay his debts as and when they are due.
37. **Define Insolvent.**
    Indian sale of goods act in sec 2 (8) says "A person is said to be Insolvent who has ceased to pay his debts as they become due, whether he has committed an act of insolvency or not.
38. **Name the relevant acts dealing with insolvency affairs in India.**
    There are two acts dealing with insolvency affairs in India which were modeled on the English Bankruptcy Act.
    The Presidency Town Insolvency 1909 which applies to persons residing in [residency towns of Mumbai, Calcutta and Chennai.
    The Provincial Insolvency Act 1920 which applies to people residing in rest of India.
39. **What is the procedure under Insolvency acts?**
    For declaration of a person to be insolvent by a court a person must be a debtor with inadequate assets for repayment of his liabilities
40. **What is a statement of Affairs?**

A statement of affairs is prepared to show the amount of deficiency and deficiency account to enumerate the reasons for the deficiency. The statement of affairs should show all the liabilities on the basis of their security and all the assets at their estimated realizable values.

UNIT - III

41. **Who are Preferential Creditors?**
    These are creditors who must be fully paid, through they have no specific security. In list – D preferential creditors are calculated.
42. **What do you mean by Unsecured creditors?**
    All creditors who have no specific asset as security are shown under this list. They include the following sundry trade creditors, bills payable, bank over draft, wife's loan, private liabilities, contingent liabilities and outstanding expenses. In statement of affairs account the list is showed under A.
43. **Who are Fully secured creditors?**
    These creditors have securities whose realizable value is more than the loan and outstanding interest. In statement of affairs account this list is showed as List –B.
44. **Who are Partly secured creditors?**
    The creditors whose loan is more than the realizable value of their security are termed as partly secured. It is showed as List – C in statement of affairs account.
45. **What do you mean by deficiency in insolvency account?**
    Excess of liabilities over assets is known as deficiency.
46. **What are all the assets /property included in List-E?**
    All assets, except debtors and bills are shown here, if they are not given as security for loans.All private assets of the proprietor should also be shown here, at realisable values. If wife of the proprietor gives up here personal property like jewellery, that is also included in this list.
47. **Mention the entries in List – F and List – G in statement of affairs in Insolvency.**
    In List –E book debts (Good, Doubtful and Bad debts) are included. In List – G bill of exchange is included.

48. **What is dissolution of partnership?**
    Dissolution of a firm means closing down the undertaking or suspending permanently the activities of a partnership business. It refers to the complete breakdown of a partnership and partners do not continue the firm.
    Dissolution of partnership means a reconstitution of the firm due to the retirement of a partner or death of a partner or insolvency of a partner and the remaining partners provide for the continuance of the firm in pursuance of an express or implied agreement to that effect.
49. **What do you mean by dissolution by agreement?**
    A partnership firm can be dissolved at any time by mutual consent of all the partners.

50. **State the situations for compulsory dissolution.**
    There are certain cases in which a firm becomes illegal and stands dissolved, if all the partners except one or all of them are declared insolvent, when the partners exceeds 20, when a citizen of an enemy country becomes a partner, when the business is opposed to public interest.
51. **What is mean by dissolution by notice?**

In case the partnership is at will, on any partner giving notice in writing to other partners with the intention to dissolve the firm, it will be treated as dissolved from the date which is mentioned in the notice.

52.**What is profit sharing ratio?**

The ratio in which the profits or losses of a business are shared. For a partnership, the profit-sharing ratios will be set out in the partnership agreement. This will show the amount, usually given as a percentage of the total profits, attributable to each partner.

53. **Define Gaining ratio**.

It is a ratio that is calculated in the event of retirement or death of a partner.

54. **What is the formula of gaining ratio?**

Gaining ratio = New share - Old share.

55.**What do you mean by retirement of partner?**

When one or more partners leaves the firm and the remaining partners continue to do the business of the firm, it is known as retirement of a partner.

56.**How is goodwill recorded at the time of retirement of a partner?**

When a partner retires from the firm, the continuing partners will gain in future profits. The retiring partner is compensated for his/her share of goodwill by the continuing partners who gains, in their gaining ratio. Therefore, goodwill is recorded in the books only when it is purchased.

57**. What is Hidden goodwill?**

Hidden goodwill is the excess of desired total capital of the firm over the actual combined capital of all partner.

58. **What is the formula for calculating goodwill?**

Goodwill = Average Profits X Number of Years.

59.**Define Average Profit**

Average profit is the total profit divided by output. It is an approach used to identify the profit margin that is achieved on each unit of a product that is produced or sold. It can be a normal profit if economic profit (including opportunity cost) is equal to zero.

60.**What is the formula for calculating Average profit?**

Average Profit = Average Revenue – Average Cost

UNIT - IV

61.**What is the Average Revenue'**

'Average Revenue', for a specific level of sales, is the total revenue divided by the number of units sold, or in other words, revenue per unit, or, simply, price. This average is over the entire sales in a given time period, market, etc.

62.**What is the Average Cost?**

'Average Cost' is the total cost incurred divided by the number of units produced. In economics, generally, the number of goods produced = the number of goods sold.

63. **Whatis Revaluation ?**

Revaluations an adjustment made to the recorded value of an asset to accurately reflect its current market value.

64. **What is Installment payment?**

An installment payment is a partial payment of the total amount of tax payable for the year.

65.**What is a lump sum payment?**

A *lump sum payment* is often associated with a single amount paid to acquire a group ofitems.

66. **What is an Annuity?**

An annuity is a financial product that pays out a fixed stream of payments to an individual, primarily used as an income stream for retirees

67.**What is turnover ?**

Turnover is used in some countries to mean sales. Turnover is also used in certain financial ratios.

68. **What is joint life policy?**

A Joint Life Policy (JLP) is an insurance policy which is taken out by the partnership firm on the joint lives of all the partners. The amount of policy is payable by the Insurance Company either on the death or on maturity of policy, whichever is earlier. The firm pays annual premium to the insurer against the policy.

69.Define surrender value.

It is the amount the policyholder will get from the life insurance company if he decides to exit the policy before maturity.

70. **What is surrender value in joint life policy?**

Surrender value refers to sum of money an insurance company will pay to the policyholder or annuity holder in the event his or her policy is voluntarily terminated before its maturity or the insured event occurs.

71.**Why assets and liabilities are revalued at the time of retirement of a partner?**

At the time of retirement of a partner, the assets and liabilities of the firm are re-valued and Revaluation Account is prepared in the same way as in the case of admission of a partner. The resultant profit is shared among all the partners including the retiring partner in their old profit sharing ratio.

72. **Why gain ratio is required on retirement of a partner?**

Gaining ratio is calculated at the time of retirement or death of a partner. It is the ratio in which the remaining partners acquire the outgoing partner's share of profit. When the partner retires, the profit sharing ratio of the continuing partners gets changed.

73. **How can a partner retire?**

Any partner may with the consent of all the other partners or in terms of the deed of partnership where the partnership is at will, by giving notice in writing to all other partners, to that effect, dissolve the partnership or retire from partnership. If a partner retires, unless there is contract.

74. **What is the meaning of revaluation account?**

An increase in an asset's value in order to reflect the current market value of the asset. The values of all of a firm's assets must be recognized and documented in their accounts. Revaluation is the positive difference between an asset's fair market value and its original cost, minus depreciation.

75. **Why do we revalue assets?**

In finance, a revaluation of fixed assets is an action that may be required to accurately describe the true value of the capital goods a business owns. The purpose of a revaluation is to bring into the books the fair market value of fixed assets.

76. **What is dissolution of a partnership firm?**

Dissolution of a Partnership Firm. For a partnership firm to cease to exist, it needs to be dissolved. The process, known as dissolution of a partnership firm, involves the sale or disposal of all assets of the firm, final settlement of all of its liabilities, and the settling of the accounts.

77. **What is dissolution of a partnership?**

Dissolution of partnership is that change in the partnership relation which ultimately culminates in its termination. It is the change in the relation of partners caused by any partner's ceasing to be associated in the carrying on of the business.

78. **What is dissolution account?**

When a business is discontinued, the firm is said to be dissolved. As a result, all the accounts be closed. It is, therefore, necessary to open Realisation Account, Cash or Bank Account and Partners Capital Accounts.

79. **What is dissolution of firm?**

The process, known as dissolution of a partnership firm, involves the sale or disposal of all assets of the firm, final settlement of all of its liabilities, and the settling of the accounts.

80. **What is meant by insolvency of a partner?**

In legal terminology, the situation where the liabilities of a person or firm exceed its assets. In practice, however, insolvency is the situation where an entity cannot raise enough cash to meet its obligations, or to pay debts as they become due for payment.

UNIT - V

81. **What is insolvency account?**

Accounting insolvency refers to a situation where the value of a company's liabilities exceeds the value of its assets. Accounting insolvency looks only at the firm's balance sheet, deeming a company "insolvent on the books" when its net worth appears negative.

82. **What is insolvency of a company?**

A company is considered to be insolvent under English law if it is unable to pay its debts. There are two tests for corporate insolvency: the cash-flow test: is the company currently, or will it in the future, be unable to pay its debts as and when they fall due for payment.

83. **What does Insolvency mean in business?**

A company is insolvent (unable to pay its debts) if it either does not have enough assets to cover its debts (ie value of assets is less than amount of liabilities), or if it is unable to pay its debts as they fall due.

84. **What is insolvency risk?**

The risk that a firm will be unable to satisfy its debts. Also known as bankruptcy risk.

85. **What is the penalty for insolvency?**

If dishonesty is found to be a factor in insolvent trading, a director may also be subject to criminal charges (which can lead to a fine of up to $220,000 or imprisonment for up to 5 years, or both). Being found guilty of the criminal offence of insolvent trading will also lead to a director's disqualification.

86. **What is balance sheet insolvency?**

Accounting insolvency refers to a situation where the value of a company's liabilities exceeds the value of its assets. Accounting insolvency looks only at the firm's balance sheet, deeming a company "insolvent on the books" when its net worth appears negative.

87. **What is Realisation Account?**

On dissolution of a firm, all the books of account are closed, all assets are sold and all liabilities are paid off. in order to record the sale of assets and discharge of liabilities, a nominal account is opened, named Realisation Account.

88. **What type of account is Realisation account?**

Realisation account refers to an account opened by the firm when it goes to dissolution to record the profit made from the sale of assets and loss suffered on the settlement of liabilities.

89. **Write main features of Garner v/s Murrey rules.**

- A solvent partner should bring his share in realization loss in cash.
- Other partners should divide the debit balance of capital account of the insolvent partner in the capital ratio. Capital means capital standing in the books of firm immediately before the dissolution.

90. **What is capital ratio formula?**

The capital adequacy ratio is calculated by dividing a bank's capital by its risk-weighted assets. The capital used to calculate the capital adequacy ratio is divided into two tiers.

91. **What are unrecorded assets?**

Unrecorded assets are those assets which had forgotten to record in book likeunrecorded investment, goods given by new partner etc. It arises at the time of balancing of balance sheet.

92.**What are unrecorded assets and liabilities?**

A Revaluation Account is prepared in order to ascertain net gain or loss on revaluation of assets and liabilities and bringing unrecorded items into books. The Revaluation profit or loss is transferred to the capital account of all partners including retiring or deceased partners in their old profit sharing ratio.

93. **What is Piecemeal Distribution?**

Piecemeal Distribution As and when money is received from sale of assets, it is used to pay liabilities. The liabilities are also paid in stages or gradually. The money, in short, is distributed piecemeal – in stages and not in a single shot.

94. **Whatis meant by maximum loss method?**

After the creditors, have been paid off, the amount due to a partners as loan should be paid. Maximum Loss Method An alternative method of piecemeal distribution amongst partner is to calculate the maximum possible loss on every realisation after the outside liabilities and the partners loan has been paid.

95. **What is Fixed capital ?**

Fixed capital is clearly referred to as the physical capital or a real capital which is not consumed or invested in the production of any real product.

96.W**hat is Fluctuating Capital ?**

A partnership term. When the capitals of partners are fluctuating, all adjustments with regards to the interest on capitals, interest on drawings, partners salaries etc. are passed through the capital accounts of the partners.

97.**What is deficiency account?**

Deficiency accountan account supplementing the balance sheet of a financially weak enterprise showing estimated realization values of assets and their insufficiency to meet creditors' claims and occasionally indicating the causes of the difficulty.

98. **What is Free Reserves ?**

Free reserves are those reserves upon which the company can freely draw. ...Free reserves can be used by the company to declare dividends, to issue bonus shares, to write off accumulated losses and to write off share issue expenses. Specific reserves are those created for specific purposes.

99. **What are included in free reserves?**

"Free reserves" means those reserves which, as per the latest audited balance sheet of the company, are free for distribution as dividend and shall include balance to the credit of the securities premium account bat shall not include share application money.

100. **What is partners loans?**

A distribution is a transfer of cash or property by a partnership to a partner with respect to the partner's interest in partnership capital or income. Distributions do not include loans to partners or amounts paid to partners for services or the use of property, such as rent, or guaranteed payments.

K3 - LEVEL

UNIT - I

1. Explain the various items which are dealt with in P & L appropriation account of a Partnership firm.
2. What are the rules applicable in the absence of a partnership deed?
3. What are the methods of maintaining partner's capital account in partnership? Discuss them in detail.
4. What is 'admission of partner'? Explain the matters to be dealt with at the time of Admission of a new partner.
5. A and B are partners sharing profits and losses in the ratio of 5:3. They admit C as partner. C acquires his share 4/20 from A and 2/20 from B. Find out the new profit sharing ratio and sacrificing ratio.
6. A and B are partners sharing profits in 3 : 2 Ratio. C is admitted for 1/5 share which he acquires equally form both A and B. find out the new ratio of partners.
7. A and B are partners in a firm sharing profits in the ratio of 3:2. They surrender ½ of their respective shares in favour of new partner 'C. C is to bring his share of premium for goodwill in cash. They goodwill of the firm is estimated at Rs. 40,000. Pass the necessary journal entries for recording the goodwill in the above case.
8. A firm earned net profits during the last three years as follows:

		Rs.
I Year	-	36,000
II Year	-	40,000
III Year	-	44,000

The capital investment of the firm is Rs.1,20,000. A fair return on the capital having regard to the risk involved is 10%. Calculate the value of goodwill on the basis of 3 years purchase of super profits.

9. Following is the Balance Sheet of Mohan and Madan on 31st Dec. 1990, after adjustment of profit for 1990 and drawings:

Rs.			**Rs.**	
Capitals: Mohan 40,000			Land	16,000
Madan 48,000	88,000		Buildings	72,000
Creditors	32,000		Other Assets	48,000
P & L Appropriation A/c	24,000		Madan's Drawings	8,000

…………… ……………..

1,44,000 1,44,000

……………. ……………..

10. Show how the following items will appear in the Capital accounts of the partners, Babu and Gopu when their capitals are flucturating:

	Babu Rs.	Gopu Rs.
Capital on 1.1.87	8,00,000	7,00,000
Drawings during 1987	1,60,000	1,40,000
Interest at 5% on drawings	4,000	2,000
Shares of profits for 1987	84,000	66,000
Interest on Capital at 6%	48,000	42,000
Salary	72,000	Nil

UNIT - II

1. X, Y and Z are partners in firm sharing profits and losses in the ration of 5:3:2. Y retires from the firm and his share is taken up X and Z in the ratio of 2:1. Calculate the new profit-sharing ratio.

2. A, B and C were partners sharing profits in the ratio of 5:4:1. A retires from the firm. Calculate the new profit-sharing ratio.

3. P, Q, R and S were partners sharing profits in the ratio of 5:4:3:1. P and S retire from the firm. Calculate the new profit-sharing ratio.

4.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. 60,000. Bim retires and on the day of Bim's retirement goodwill is valued at Rs.30,000. Gim and Nim decided to share the future profits equally. Pass journal entry for goodwill.

5.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 firm's goodwill is valued at Rs. 80,000. Pass necessary journal entry to adjust goodwill at the time of retirement.

6. P, Q, R and S are partners in a firm sharing profit in the ratio of 2:1:2:1. On the retirement of R, the firm's goodwill was valued at RS.45,000. P, Q and S decided to share the future profits equally. Pass journal entry for goodwill.

7. P, Q and R are partners sharing profits and losses in the ratio of 5:3:2 respectively. Q retires. Q's share of profit is taken up by P and R in their profit-sharing ratio. Calculate the new ratio.

8.X,Y and Z were partners sharing profits in the ratio of 2:2:1. Z retires and his share was taken up by X and Y in the ratio of 3:2. Calculate the gaining ratio of X and Y.

9. A,B and C are partners sharing profits in the ratio of 1/2,1/3 and 1/6 respectively. C retires and his share was taken up by A and B in the ratio of 2:1. Find out the new ratio.

10. A,B,C,D and E were partners in a firm sharing profits and losses in the ratio of 5:4:3:2:1 respectively. Unfortunately, D and E met with an accident in which both of them died.

The goodwill of the firm was valued at Rs.75,000 and A, B and C decided to share the future profits and losses in the ratio of 4:6:5 respectively.

Give the journal entry to record the above relating to goodwill.

11. P,J and Rare partners sharing profits in the ratio of 2:2:1. J did on 31st March 2011. Accounts are closed on 31st December. Sales for the year 2010 amounted to Rs. 2,40,000. Sales of Rs.80,000 amounted between the period from 1st January 2011 to 31st March 2011. The profits for the year 2010 amounted to Rs.24,000. Calculate the deceased partner's share in the profit of the firm.

12. Sunil, Devan and Ravi are equal partners in a firm and their Balance sheet as on 31.12.90 is given below:

Liabilities	Rs	Assets	Rs
Capital:		Machinery	43,500
Sunil	15,000	Furniture	1,500
Devan	12,000	Debtors	30,000
Ravi	18,000	Stock	15,000
Reserve	4,500		
Creditors	40,500		
TOTAL	**90,000**	**TOTAL**	**90,000**

Ravi retired on 31.12.90 and assets were revalued as under:

Machinery Rs.51,000. Furniture Rs.1,200, Debtors Rs.28,500, Stock Rs.14,700. Goodwill of firm is valued at Rs. 9,000 and Ravi's share of goodwill is to be adjusted to continuing partners' capital accounts.

Give journal entries, prepare necessary ledger accounts and new balance sheet.

13. Following is the balance sheet of X, Yand Z as on 31.12.2004.

Liabilities	Rs	Assets	Rs
Creditors	30,000	Cash in hand	2,000
Reserve fund	32,000	Cash at bank	50,000
Capital A/c's		Debtors	60,000
X = 1,00,000		Stock	60,000
Y = 50,000		Furniture	80,000
Z = 50,000		Tools	10,000
	2,00,000		
TOTAL	**2,62,000**	**TOTAL**	**2,62,000**

Y died on 31st March 2005. Under the partnership agreement, the executor of Y was entitled to:

i)amount standing to the credit of his capital account.

ii)interest on capital which amounted to Rs. 625

iii)his shares of goodwill Rs.35,000

iv) His share of profit from the closing date of last financial year to the date of death which amounted to Rs.4.375. Y's executor was paid Rs.18,000 on 1st April 2005 and the balance was to be paid in four equal yearly instalments starting from 31.3.2006 with interest @6% p.a. Prepare Y's capital a/c, Y's executor's a/c till it is finally paid. Assume profits are shared in the capital ratio.

Unit - III

1.P, Q and R share profits in proportion of 1/2 ,1/4 and 1/4. On the date of dissolution their balance sheet was as follow.

Liabilities	**Rs**	**Assets**	Rs
Creditors	14,000	Sundry Assets	40,000
P's Capital	10,000		
Q's Capital	10,000		
R's Capital	6,000		
TOTAL	**40,000**	**TOTAL**	**40,000**

2.A and B equal partners in a manufacturing business, agreed to dissolve the partnership as on 31 st December 1994. On that date their balance sheet was as follows:

Liabilities	Rs	Assets	Rs
Capital A	19,000	Freehold premises	18000
Capital B	7,000	Goodwill	2,000
Creditors	6,400	Furniture & fittings	2,400
Loan from A	4,000	Sundry debtors	5,840
		Stock in trade	4,530
		Cash	3,630
TOTAL	**36,400**	**TOTAL**	**36,400**

It was agreed that a should take over the freehold premises at a valuation of Rs 15500 and that we should take over stock at a discount of 10%. The sundry debtors realized 95% of the book value. Furniture and fittings realized Rs 1470 and the goodwill of the business was sold only for Rs 500. The expenses of realization were Rs 827. You are required to show the results of the realization account and the capital account.

3. R,S and M are partners sharing profits and losses as 2:2:1. Their balance sheet as at 30.6.91 was as follows:

Liabilities	Rs	Assets	Rs
Creditors	4,000	Bank	5,000
Capital; R	10,000	Debtors	4,000
Capital; S	4,000	Stock	5,000
Capital; M	2,000	Fixtures	2,000
Reserve fund	5,000	Machinery	9,000
TOTAL	**25,000**	**TOTAL**	**25,000**

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 unrecorded asset of Rs 500 which was taken over by S at Rs 400. Pass journal entries.

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

Liabilities	Rs	Assets	Rs
Sundry creditorsMrs. A' s loan	38,000 10,000	Cash at Bank Stock in trade	11,5006,000
B's loan	15,000	Debtors 20,000	
Reserve fund Capital A	5,000	Less: Provision 1,000	19,000
Capital B	10,000 8,000	________	4,000 28,000 10,000 7,500
		Fixtures & fittings Plant & Machinery InvestmentP & L	**86,000**
		TOTAL	
TOTAL	**86,000**		

The firm was dissolved on 31.12.83 and the following was the results.

i. A took over the investment at an agreed value of Rs 8000 and agreed to pay of the loan Mrs. A
ii. The assets realized as follows:

iii. Stock Rs 5000, Debtors Rs 18500, Fixtures & Fittings Rs 4500, and Plant & Machinery Rs 25000

iv. The expenses were Rs 1100

v. The sundry creditors were paid of less 2.5% discount

A and B shared profits and losses in the ratio of 3:2. Journalise the entries to be made on dissolution.

5. P and G are equal partners. The decide to dissolve the partnership on 31.12.90. When their balance sheet stood as follow

Liabilities	Rs	Assets	Rs
Capitals		Machinery	19,200
P	48,000	Building	60,000
G	48,000	Stock	6,960
Creditors	2,400	Debtors	5,760
		Bank	6,480
TOTAL	**98,400**	**TOTAL**	**98,400**

i) P is to take over the business and pay Rs 12000 for goodwill which had not been previously valued. He is also to take over the buildings and stock at book value and machinery at Rs 18000.

ii) During the period up to 31.5.91, P collects Rs 4800 from the firm's debtors and pays the liabilities, getting Rs 240 as cash discount.

iii) P also pays dissolution expenses amounting to Rs 480 prepare the realization A/C, Partners A/C and Bank A/C assuming that settlement made on 31.5.91.

6.The following is the Balance Sheet of X, Y, and Z on 31.3.94

Liabilities	Rs	Assets	Rs
Capital A/c's		Furniture	40,000
X	50,000	Plant and machinery	20,000
Y	30,000	Stock	40,000
General reserve	30,000	Debtors	20,000
Creditors	40,000	Cash at bank	12,000
		Z's capital**TOTAL**	18,000
TOTAL	**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 realised as follows:

Sundry debtors Rs.15,000; Furniture Rs.28,000

Stock Rs.32,000; Plant & 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

7. D, E, F and G are partners sharing 4:3:2:1. Their position statement was as follows:

Liabilities	Rs	Assets	Rs
Capital Accounts		Cash at Bank	4,500
D	90,000	Stock	60,000
E	60,000	Debtors	1,20,000
Creditors	1,20,000	Capital accounts:	
Bank loan	60,000	F	10,500
		G	3,000
		Machinery	1,32,000
TOTAL	**3,30,000**	**TOTAL**	**3,30,000**

The firm is dissolved. All assets realised Rs.2,46,000. The sundry creditors and bank loan were paid Rs.1,77,000 in full satisfaction. The expenses of dissolution are Rs.1,800. G became insolvent and F paid only Rs.9,000. Prepare ledger accounts to close the books of the firm.

8. P,Q,and R are partners in a firm. They share profits and losses equally Their Balance Sheet on 31.12.92. is given as under

Liabilities	Rs	Assets	Rs
Capital		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
TOTAL	**1,10,000**	**TOTAL**	**1,10,000**

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 realised Rs.30,000 and furniture Rs.6,400. only Rs.24,000 was recovered from debtors. Creditors were paid at a discount of 5%. Prepare the necessary accounts in the books of the firm when the capitals are fluctuating. Apply Garner vs. Murray rule.

9. Distinguish between dissolution of partnership and dissolution of partnership firm.

10. 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	20,000	Assets	34,000
B's Capital	10,000	C's Capital	12,720
Reserve fund	8,000	D's Capital	3,280
Creditors	12,000		
TOTAL	**50,000**	**TOTAL**	**50,000**

On the above date C becomes insolvent and was able to contribute only 50 paise in the rupee. Assets realised Rs. 25,000. Realisation expenses amounted to Rs.800. Make Ledger Account.

11. Explain the different modes of dissolution of a partnership firm.

12. A and B are in equal partnership. Their balance sheet stood as follows:

Liabilities	Rs	Assets	Rs
Capital A Creditors	600 3,900	Plant &Machinery Furniture Debtors Stock Bank B's Capital	1,475 400 500 625 300 1,200
TOTAL	**4,500**	**TOTAL**	**4,500**

UNIT - IV

1. What are the lists included in a 'Statement of Affairs'?
2. Who are unsecured creditors?List out different kinds of unsecured creditors as per List-A.
3. What is statement of affairs? How does it differ from a Balance sheet?
4. Who are preferential creditors? Briefly explain the different categories of such creditors.
5. How do you treat fully secured creditors and partly secured creditors while preparing statement of affairs?
6. Why do you prepare a deficiency account? What are its contents?
7. From the following particulars ascertain the Creditors to be shown underList A
   a. Creditors on open a/c Rs 55,000
   b. Bills Payable Rs 10,500
   c. Bills Receivable Discounted (excepted to rank Rs 3000) Rs 9,000
   d. Income tax payable Rs 550
   e. Creditors for salaries and wages (Preferential Creditors Rs 600) Rs 2200.
8. Mr. Careless has been adjudged insolvent on Jan 1 1995. His creditors are as under:

Trade creditors	1,00,000
Income-tax	1,000
Municipal due	800
Salary for 8 clerks for two months	3000
Wages for four labourers for two months	360
Private creditors	8000

Rent due to landlord for two months	2400

Find out the amount due to unsecured creditors and preferential creditors according to Provincial insolvency act and Presidency towns insolvency act.

9. What are the preferential creditors in the following liabilities of insolvent Mr. Bhupesh according to Presidency Towns Insolvency Act and Provincial Insolvency Act?

3 Month's salary for 10 clerks	-	3,600
One month wages of 12 labourers	-	1,600
Sales Tax	-	400
3 months rent of landlord	-	600
Income tax	-	1,000
Wages of four servants	-	1,400
Salaries	-	1,000
Municipal Tax	-	400
Wages	-	6,000

10. Mr. Deepak filed his petition for insolvency on 31st December 1994. The details of outstanding expenses are as follows:
    i. Salaries of 8 clerks @ Rs. 150 per month for each clerk for 3 months.
    ii. Wages of a labourer for the month of August 1994 Rs. 120.
    iii. Wages of 8 labourers for the month of September 1994 @ Rs. 110 per labourer.
    iv. Rent of landlord for the months of November and December 1994 Rs. 800.
    v. Amount due to the Municipality for Rs. 1,000, to the Income tax department Rs. 2,000 and to the sales tax department Rs. 2,000.
    vi. Salaries of two clerks for the month of July 1993 Rs. 500 each.

    You are required to find out the amount of preferencial and non-preferencial creditors according to Presidency Towns Insolvency Act.

UNIT - V

SECTION- B (K3 LEVEL)

1. What is a 'Fire insurance claim'? Explain different kinds of such claims.
2. Distinguish between i) Short Sales ii) Indemnity period iii) Annual Turnover iv) Standard Turnover v) Standing charges.
3. How to calculate the amount of Claim to be lodged for the loss of Stock by Fire?
4. Describe the method of computation of claim under loss of profits' policy.

5. Calculate the amount of Insurance Claims from the Particulars.
   Stock valued at Rs. 90,000 were destroyed and the insured stock value Rs. 65,000 subject to average class. The value of stock salvaged is Rs.40,000 in the date of fire.
6. A fire occurred in the premises of Gayathiri Ltd. on 10.10.91. All stocks were destroyed except to the extent of Rs. 6200. From the following figures, ascertain the loss of stock suffered by the company:-

   Stock on 1.1.90 Rs 40,000, purchases during 1990 Rs 1,45,000, Sales on 31.12.90 Rs 2,00,000, Stock on 31.12.90 Rs 25,000, purchases during 1991 up to the date of fire Rs 1,52,200, sales during 1991 up to date of fire Rs. 1,89,000.

7. A fire occurred at the premises of a trader on 31.5.94 destroying a great part of his goods. His stock at 1.1.94 was Rs. 60,000. The value of stock salvaged was Rs. 13,500. The gross profit on sales was 30% and sales amounted to Rs. 1,53,000 from January to date of fire, while for the same period the purchases amounted to Rs. 1,03,500. Prepare a statement of claim.

8. A fire occurred in the premises of Mr. Dheenadayalan on 15th August 1995. A large part of the stock was destroyed and Rs. 7,500 was realized for the salvage. For the period from 1st January 1995 to 15 August 1995, the following information is available;

   i) Purchases amounted to Rs. 42,500
   ii) Sales amounted to Rs. 45,000
   iii) Stock on hand on 1st January 1995 was Rs. 20,000 at cost price.
   iv) Goods costing Rs. 2,500 were taken be Dhenadayalan for his personal use.
      The previous accounts reveal that the rate of gross profit was 33 1/3% on sale.
      The insurance policy was for Rs. 25,000 and included an average clause.
      Prepare the statement of claim to be made on the insurance company.
9. Calculate insurance claim from the following facts assuming that the insurers met their liability under the policy on 'average basis'

   A trader's stock valued at Rs. 40,000 was totally destroyed. The stock in the godown was insured for Rs. 30,000 subject to average clause. The balance of stock, left after fire, appeared in the books at Rs. 24,000.

10. A fire occurred on November 3, 1999 in the shop of Raja. From the following particulars,
    Calculate the amount of fire claim:
    (i) Stock on 1-1-99 Rs.8,500
    (ii) Purchases from 1-1-99 to date of fire Rs.85,000, Sales Rs.1,00,000.
    (iii) Wages and Manufacturing expenses Rs.8,500.
    (iv) Stock salvaged Rs.2,000
    (v) The rate of Gross Profit on Sales 25%

(K4, K5 LEVEL)

UNIT 1

1. A and B share profits in the proportions of $3/4^{th}$ and $1/4^{th}$. Their Balance sheet on December 31, 2011 was as follows:

	Rs.		Rs.
Sundry creditors	41,500	Cash at bank	22,500
Capital accounts:		Bills Receivable	3,000
A	30,000	Debtors	16,000
B	16,000	Stock	20,000
		Land & buildings	25,000
		Fixtures	1,000
	87,500		87,500

On 1st January 2012, C was admitted into partnership on the following terms:

(1) That C pays Rs. 10,000 as his capital for a fifth share

(2) That stock and fixtures be reduced by 10% and 5% provision for doubtful debts be created on sundry debtors.

(3) That the value of land and buildings be appreciated by 20 per cent.

(4) That a liability for Rs. 500 be created against the bills discounted.

(5) That the values of liabilities and assets other than cash are not to be altered.

Prepare Memorandum Revaluation Account, Capital Accounts and the opening Balance Sheet of the firm as newly constituted.

2. A and B are partners sharing profits in the ratio 3:1. Their Balance Sheet stood as under on 31.3.2004:

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

C is admitted as a new partner introducing a capital of Rs.20, 000, for his 1/4th share in future profits. Following revaluations are made:
i) Stock be depreciated by 5%

ii) Furniture be depreciated by 10%

iii)Building be revalued at Rs.45,000

iv) The provision for doubtful debts should be increased to Rs.1,000.

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

3. The Balance Sheet of Padma and Renuka on 31st March 2000 is set out below: They share profits and losses in the ratio of 3:1.

Liabilities	Rs.	Assets	Rs.
Capital:			
Padma	40,000	Land & Building	30,000
Renuka	30,000	Furniture	2,000
General Reserve	20,000	Stock	8,000
Sundry Creditors	20,000	Sundry Debtors	60,000
		Cash	4,000
		Profit & Loss A/c	6,000
	…………….		…………….
	1,10,000		1,10,000

They agreed to admit Kavitha into the firm, subject to the following terms and conditions:

i) She will be entitled to one-fourth share of the profits.
ii) She will bring in Rs.21,000 of which Rs.10,000 will be treated as her share of Goodwill to be retained in the business.
iii) Depreciation is to be provided on furniture @ 15%
iv) Stock to be revalued at Rs. 6,500
v) 50% of the General reserve is to remain as a provision for bad and doubtful debts.

Give journal entries to give effect to these arrangements and construct the Balance Sheet of the new firm.

4. Neenu and Banu were partners sharing profits equally. Their balance sheet as on 31st March 2011 was as under:

Liabilities	Rs.	Assets	Rs.
Creditors	1,00,000	Cash in hand	24,000
Bills payable	30,000	Cash at Bank	30,000
Outstanding expenses	6,000	Debtors 40000 (-)PBDD 1000	39,000
Capital A/cs Neenu			

1,20,000 Beenu 80,000	2,00,000	Stock	40,000
		Furniture	20,000
		Machinery	36,000
		Land & Building	1,47,000
	3,36,000		3,36,000

On that date, they agreed to admit Seenu as a Partner on the following terms:

a) Seenu will get 1/5th share in profits and he will bring in Rs.40,000 as his capital and Rs. 10,000 as his share of goodwill.
b) Goodwill brought in by Seenu will be withdrawn by Neenu and Beenu.
c) The provision for doubtful debts should be brought upto 5% on debtors.
d) Machinery be depreciated by Rs. 4,000 and furniture by 12%
e) Stock be valued at Rs. 46,000
f) Land and building be appreciated by 20%
g) Investments of Rs. 4,000 which did not appear in books, should be duly recorded.

Pass journal entries, prepare revaluation account, capital account and balance sheet of new firm.

5. The balance sheet of Vinod and Abbas who shared profits in the ratio of 3 : 2 was as follows on 31.12.2010.

Liabilities	**Rs.**	**Assets**	**Rs.**
Creditors	25,000	Cash in hand	10,000
Bills payable	15,000	Bills receivable	10,000
Capital A/cs Vinod 80,000 Abbas 60,000	1,40,000	Debtors 40000 (-)PBDD 1400	38,600
		Stock	40,000
		Patents	11,400
		Plant and Machinery	70,000
	1,80,000		1,80,000

On 1st January 2011, Siva was admitted as a partner on the following terms:

i) He was to get 4/15th of profit
ii) He was to introduce Rs. 50,000 as capital.
iii) He would pay cash for goodwill which be based on 2 ½ years purchase of past four years' profits.
iv) Vinod and Abbas would withdrawn half of the goodwill in cash.
v) Assets would be revalued as under:
   Plant and Machinery at Rs. 80,000; Patents at Rs. 24,000; Stock at Rs. 30,000 and Debtors at book value less a provision of 10%.
vi) Sundry creditors were provided at Rs. 46,000, one bill for goods purchased having been omitted from books.
vii) The profit for the preceding four years were as under:
   2007 – Rs. 20,000; 2008 – Rs. 28,000; 2009- Rs. 50,000; 2010 – Rs. 34,000

Give journal entries and ledger accounts to record the above and the Balance sheet on Siva's admission. What will be the new profit sharing ratio?

UNIT - II

1. The balance sheet of P,Q and R who are sharing profits and losses in the ratio of 2:2:1 respectively, was as follows on 31.3.2011

Liabilities	Rs.	Assets	Rs
Bills payable	3200	Cash	12,825
Creditors	6,250	Bills receivable	2,700
Capital A/c		Debtors	8,900
P	20,000	Stock	11,150
Q	12,500	Furniture	1,750
R	10,000	Machinery	4,875
P & L A/c	2,250	Building	12,000
TOTAL	**54,200**	**TOTAL**	**54,200**

P retires from the business from 1.4.2011 and his share in the firms is to be ascertained on a revaluation of the assets s follows:

Stock Rs.10,000, Furniture Rs.1,500,Machinery Rs.4,500,Building Rs.10,000 and Rs.425 is to be provided for doubtful debts.

The goodwill of 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% p.a. 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.

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

Liabilities	Rs	Assets	Rs
Creditors	26,400	Cash at 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		Land &Building	80,000
	1,16,000		
TOTAL	1,64,000	TOTAL	1,64,000

The firm had a joint life policy for 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:

i) A provision of Rs.1200 be made in respected of legal charges.

ii) Goodwill is to be valued at Rs. 14,400

iii) Machinery be written down by 10% and stock by 5%

iv) Land & building be appreciated by 20%

v) A provision for doubtful debts of 5% to be created.

vi) L to be paid Rs. 2,000 by cheques and Rs. 2,000 by cash at the time of retirement and

Prepare Revaluation A/c, partners capital a/c and balance sheet of K and M.

3. 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	30,000	Cash at bank	1,10,000
Capital A/c		Machinery	1,20,000
A	1,40,000	Goodwill	1,00,000
B	1,00,000		
C	60,000		
TOTAL	**3,30,000**	**TOTAL**	**3,30,000**

The following steps were taken on 1.1.94:
i)C retired and his interest in the firm was valued at Rs.80,000. It was purchased by A and B from their private resources in their profit sharing proportion.
ii) D was admitted and became entitled to 1/6th share of profits on the condition that A and B should be credited proportionately for goodwill amounting to Rs. 60,000 to be brought in cash D and he should bring in capital equal to 1/ 4 of the combined capital of A and B after adjustments.
Prepare partners capital accounts and show the opening balance sheet of the reconstituted firm as on 1.1.94.

4. Kin, Min and Tin are partners sharing profits and losses equally. Their balance sheet as on 31.3.2011

Liabilities	Rs	Assets	Rs
Creditors	47,000	Cash	36,000
General reserve	30,000	Debtors 84,000	
Capital A/c		Less: PBDD 6,000	
Kin 82,000			78,000
Min 82,000		Stock	19,000
Tin 90,000		Fixture	42,000
	2,54,000	Furniture	56,000
		Machinery	1,00,000
TOTAL	**3,31,000**	**TOTAL**	**3,31,000**

T in died on 1st April 2011 and the following agreement was to be put into effect :
i) Goodwill was valued at Rs.60,000 and Tin was to be credited with his share
ii) Assets were revalued :MachineryRs. 1,17,000; Furniture Rs.46,000;Stock Rs.15,000
iii) Rs.21,000 was to be paid away to the Tin's executors on 1st April 2011. Pass journal entries and prepare revaluation a/c capital a/c and balance sheet of new firm.

5.Beiefly explain the accounting problem arising out of retirement of a partner
6. Explain Retirement cum admission.

Unit - III

1. X, Y and Z sharing profits in the proportion of 3:2:1 decided to dissolve partnership on 31.12.90. Their balance sheet on that date was as under.

Liabilities	Rs	Assets	Rs
Capital A/c		Leasehold premises	12,500

Y	10,000	Machinery	30,520
Z	10,000	Stock	7.550
Bank loan	11,500	Investment	6,330
Leasehold redemption fund	6,000	Joint life policy	12,000
		Debtors 5,800	
Life policy fund	12,000	Less: reserve 500	
Machinery			5,300
Depn. Fund A/c	16,200	Cash at bank	1,500
TOTAL	**95,700**	**TOTAL**	**95,700**

The joint life policy is surrendered for Rs.10,000. The investments are taken over by Y for Rs.8,000. Xagreed to discharde the bank loan. The remaining assets are sold for 86,700. The expenses of realisation amount to Rs.850 show the necessary ledger acconts of the partnes.

2. A, B and C commenced business on 1.1.90 with capitals of Rs.2,00,000 , Rs. 1,60,000 and Rs. 1,20,000 respectively. Profits and losses were shared in the ratio of 4:3:3. Capital carried interest at 5% p.a. During 1990 and 1991 they made profits of Rs.80,000 and Rs.1,00,000 (before allowing interest on capitals). Drawings of each partner were Rs.20,000 per year.
   On 31.12.1991 , the firm was dissolved . Creditors on that date were Rs.48,000. The assets realised Rs.5,20,000(Net)
   Give necessary accounts to close the books of the firm.
3. A ,B and C are equal partners in a firm and on 31.12.2000 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 A/c		Bills receivable	5,000
A	21,000	Machinery	15,000
B	13,000		
C	5,000		
TOTAL	**61200**	**TOTAL**	**61,200**

   C became insolvent and his private estate could pay only Rs.100. The firm was dissolved. Assets realised Rs.31,000. Realisation expenses came to Rs.600. Prepare necessary ledger a/c the books of the firm.
4. A, B and C are partners sharing profits and losses in the ratio of 3:2:1 respectively . The firm was dissolved on 31.12.95. on which date its Balance sheet was as follows:

Liabilities	Rs	Assets	Rs
Capital A/c		Plant &Machinery	28,500
A	45,000	Stock	25,000
B	5,000	Debtors	25,000
C	5,000	Cash at Bank	1,500
A's current A/C	750	B's current A/c	1,000
Creditors	20,000	C's current A/c	2,500

A's loan	5,000		
TOTAL	**84,250**	**TOTAL**	**84,250**

Plant & machinery realised for Rs.20,000 ,SDtock realised Rs.15,000 Debtors realised Rs. 21,000 Goodwill was sold for Rs.300. The dissolution expenses amounted to Rs.600. C. is insolvent and a dividend of 50 paise in the rupees is received from private estate.
Pass journal entries and prepare ledger account to close the books of the firm applying the rule in Garner vs Murray.

5. Discuss the accounting implications of the rule laid down in the famous English case of Garner Vs Murray.
6. Explain the process of dissolution in different stages.

UNIT - IV

1. Mr. Umesh of Madurai consults you for preparing a statement of affairs. How will the following items appear in the various lists?

    i) Private liabilities Rs. 20,000
    ii) Unsecured loans Rs. 4,00,000
    iii) Loans from Guru Rs. 1,20,000 secured by plant and machinery. The estimated value of plant and machinery is Rs. 1,10,000(Book value Rs. 1,16,000)
    iv) Bills discounted Rs. 16,000 out of which bills of Rs. 10,000 are expected to be dishonoured.
    v) Loans from Pawar secured by first mortgage on life insurance policy Rs. 80,000. Surrender value of life insurance policy Rs. 1,00,000.
    vi) Land lord rent for 4 months @ Rs. 150 per month due.
    vii) Loan from Ram Rs. 70,000 secured by second charge on life insurance policy mentioned above.
    viii) Rates and taxes Rs. 800.
    ix) Bank overdraft Rs. 60,000 secured by personal guarantee of a friend of the insolvent.
    x) Loan from wife Rs. 30,000 out of which she received Rs. 16,000 from her father.
    xi) Wages @ Rs. 30 per month per servant for 6 months for 3 servants.
    xii) Salaries @ Rs. 200 per month per clerk for 7 months for 4 clerks.
    xiii) Bills payable Rs. 8000.

2. Mr. Chandran of Calcutta finds himself insolvent on 31.12.1993. his position was as follows.

    i) Lease hold property Rs. 10,000 (estimated to realize Rs. 9,000)
    ii) Plant and Machinery Rs. 4,000 (estimated to realize Rs. 3,000)
    iii) Stock in trade Rs. 2,000 (estimated to realize Rs. 1,400)
    iv) Book debts \ - Good Rs. 6,000
        - Doubtful Debts Rs. 500 (estimated to realize 50%)
        - Bad Debts Rs. 1,400
    v) Bills in hand - Rs. 375.

vi) Life policy for Rs. 2,500 whose surrender value is Rs. 500 is held by insurance company against a loan of Rs. 200.
vii) Household furniture Rs. 360; household debt Rs. 290.
viii) Bills discounted Rs. 600 (Rs. 200 likely to be dishonoured).
ix) Loan on Mortgage of Leasehold Rs. 5,000.
x) Cash in hand Rs. 10.
xi) Bank overdraft secured by personal guarantee of Chandran's brother and second mortgage on leasehold Rs. 5,000
xii) Unsecured creditors Rs. 15,000.
xiii) Loan from Nathan Rs. 250 secured by second charge on life policy.
xiv) Ground rent on leasehold for three months accrued Rs. 25.
xv) He could not pay his office clerk's (two in number)
xvi) Salaries for six months Rs. 150 and also rates and taxes amounting to Rs. 150.

3. From the following particulars, prepare the statement of affairs and deficiency account of Mohan who is an insolvent debtor:

   Unsecured creditors Rs. 30,100; Creditors partly secured Rs. 38,160 (Holding security of the value of Rs. 36,200 which is estimated to realize only Rs. 12,000), Preferential creditors Rs. 1,000, Bills receivable discounted Rs. 4,120 (upon which it is estimated that there will be liability of Rs. 560), Stock in trade Rs. 20,020 (estimated to realize Rs 16,000) Book debts; Good Rs. 15,720; doubtful and bad Rs. 1,300 (estimated to realize Rs. 356) Land and Buildings Rs. 16,000 (estimated to realize Rs. 10,000), Plant and Machinery Rs. 25,000 (estimated to realize Rs. 11,000), Cash in hand Rs. 4.

   He started business five years ago with a capital of Rs. 50,000; The trading, after charging interest on capital at Rs. 2,000 per year resulted in a profit of Rs. 1204 for the first year and losses of Rs. 740, Rs. 900, Rs. 1,000 and Rs. 1,400 for the subsequent years. His drawings were at the rate of Rs. 1,800 a year and there was a speculation loss of Rs. 3,180 during the whole period of five years.

4. Prabhu filed a petition in bankruptcy on 31.6.91. his books showed the following in balances:

	Rs.	Rs.
Capital		3,320
Cash in hand	20	--
Fixtures and fittings (estimated to produce Rs. 160)	500	--
Stock in trade (estimated to product Rs. 2,400)	3,600	---
Bank overdraft	---	2400
Sundry creditors Trade creditors Bills payable Mrs. Prabhu	---	 4,000 4,000 400
Sundry Debtors: Good Doubtful (estimated at	 2,000 4,000	---

Bad		
Total	14,120	14,120

Liability on bills discounted Rs. 1000, expected to rank Rs. 200. The amount due to Mrs. Prabhu was a loan out of money given to her by Prabhu.

His household furniture etc. was valued at Rs. 500. He owned a house valued at Rs. 1,500, having a mortgage on it Rs. 1,200 at 4%. Interest paid upto the preceding 31^{st} December.

Preferential creditors amounted to Rs. 70 (included in sundry creditors) and Rs. 30 for rates on the house. Prepare a statement of affairs and deficiency A/c.

5. Mr. X is insolvent. He supplies to you the following information as on 31.12.92.

	Rs.
Cash in hand	1,000
Creditors for goods	5,25,000
Salary due to clerks	7,000
Taxes due to government	21,000
Bank loan secured by lien on stock of the book value of Rs. 3,50,000	1,75,000
Furniture (expected to realize Rs. 35,000)	70,000
Stock (expected to realize 60%)	5,25,000
Book debts (good)	70,000
Book debts (doubtful, excepted to realize 40%)	1,75,000
Bills receivable (Rs, 52,500 bad)	87,500
Bills discounted (Rs. 35,000 bad)	1,05,000
Loan from Mrs. X	1,75,000

Mr. X started business six years ago with a capital of Rs. 4, 37,500. He drew Rs. 87,500 each year for private purposes but did not maintain proper books of accounts. Mrs. X gave up her Jewellery valued at Rs. 70,000 to the receiver.

UNIT -V

1. Fire occurred in the premises of Paswan on 10^{th} May 1996. In order to make a claim on their fire policies in respect of the stock, they ask your advice and you are able to obtain the following information.

Particulars	1993 Rs.	1994 Rs.	1995 Rs.	1996 Rs.
Opening stock	16,000	15,000	16,000	18,000
Purchases	41,000	47,200	56,600	78,000
Sales	60,000	66,000	78,000	99,000
Closing stock	15,000	16,000	18,000	?

The stock salvaged was Rs. 3,800. Compute the amount of claim.

2. A fire occurred in the business premises of Reghavan on 19.7.89. From the following particulars ascertain the loss of stock and prepare a claim for insurance.

	Rs.
Stock on 1.1.88	36,720
Stock on 31.12.88	32,400
Sales for 1988	2,16,000

Purchases from 1.1.89 to 19.7.89	1,76,400
Sales from 1.1.89 to 19.7.89	1,80,000

The stocks were always valued at 90% of cost saved from fire was worth Rs.21,600. The
amount of the policy was Rs.75,600. There was an average clause in the policy.

3. A trader asks for your help in preparing an insurance claim in respect of stock-in-trade destroyed by fire in his warehouse on June 1, 1996. His books of accounts give the following information concerning trading account transactions for the period, January 1 to June 1, 1996. Balance of stock, January 1, 1996 at cost Rs. 26,000.

Debtors on 1-1-96	50,000
Debtors on 1-6-96	80,000
Cash received from debtors	60,000
Discount allowed to debtors	10,000
Cash purchases	10,000
Cash paid to suppliers	67,000
Creditors on 1-1-96	16,000
Creditors on 1-6-96	18,500

The rate of gross profit on cost is 25%

Calculate the amount of claim taking into account that goods salvaged from the fire were worth Rs. 3,000.

4. On 1.7.1988 a fire took place in the godown of Ram kumar which destroyed all stocks.

	Rs.		Rs.
Sales in 1986	2,00,000	Sales in 1987	3,00,000
Gross profit in 1986	60,000	Gross profit in 1987	60,000
Stock on 1.1.88	2,70,000	Purchases from 1.1.88 to 30.6.88	4,00,000
Sales from 1.1.88 to 30.6.88	7,20,000		

Additional information:

i) Stock as on 31.12.87 had been undervalued by 10%.
ii) A stock taking conducted in March 1988 had revealed that stock costing Rs. 80,000 were lying in a damaged condition. 50% of that stock had been sold in May 1988 at 50% of the cost and the balance was expected to be sold at 40% of the cost.

5. The premises of a trading firm caught fire in 22.10.85 and the stock was damaged. The firm had made up accounts to 31st December.

Stock on 31.12.1984	-	13,272
Stock on 31.12.1983	-	9,614
Purchase during 1984	-	45,258
Purchase from 1.1.85 to the date of fire	-	34,827
Sales during 1984	-	52,000
Sales from 1.1.85 to the date fire`	-	49,170

Additional Information:

a) In April 1985 goods which cost Rs. 1,000 were given away for advertising purposes, no entries being made in the books.
b) During 1985, a clerk had misappropriated unrecorded cash sales. It's estimated that the defalcation amounted to Rs. 400.
c) The rate of gross profit is constant.

From the above information, make an estimate of the stock on the date of fire.