

ADVANCED ACCOUNTING -17UEC309

K1 LEVEL QUESTIONS

UNIT -I

1. Can a company become a partner in a firm?

(a) Yes, as the company is regarded as person in legal sense of the term.

(b) No, as the partnership is an association of natural persons only.

© Both are correct

(d) All of these

2. A partnership firm comes into existence by agreement between all the partners, and such agreement should be

(a) Express agreement only.

(b) Implied agreement only.

(c) Either express or implied.

(d) Registered.

3. A partnership deed usually contain the particulars relating to

(a) Name of firm and partners.

(b) Nature of business and duration of firm.

(c) Capital contribution, profit/loss sharing ration and other agreed terms.

(d) All of these.

4. A partner is the agent of the firm for the business of the firm

(a) As the mutual agency relationship is the foundation of the law of partnership.

(b) As in that case a firm is reduced to the status of a mere agency.

© None of the above

(d) As partnership deed.

5. Which of the following statement is incorrect?

(a) A person who receives the profits is always a partner.

(b) A person who receives the profits is not necessarily a partner.

(c) The true test of partnership is the mutual agency i.e., agency relationship among partners.

(d) The partnership comes into existence only an agreement.

6. A, a contractor, appointed B to manage his entire work. It was agreed that B would receive 50% of the profits as his remuneration and would bear all the losses, if any. Here, B is

(a) A's partner

(b) A's agent

(c) Sole proprietor

(d) None of these

7. Which of the following statement is correct?

(a) A servant or an agent who agrees to receive, in addition to or in place of his regular remuneration, a portion of profits of business, is considered to be a partner.

(b) A widow or child of a deceased partner who receives a portion of profits as annuity, is considered to be a partner.

(c) A seller of goodwill who is given a share in the profits of a business he has sold, is considered to be a partner.

(d)A joint-owner of property who receives a share of profit arising from the property, is not considered to be a partner.

8. Which of the following statement about a minor partner is incorrect?

(a)A minor can be admitted only to the benefits of an existing firm.

(b)A minor cannot be admitted to the benefits of a new firm taking minor as partner.

(c)A minor cannot be a full-fledged partner in a firm.

(d)A minor can be a full-fledged partner in a firm.

9. A partnership where its duration is fixed and cannot be dissolved by any partner at his will, is known as

(a)Particular partnership

(b)General partnership

(c)Partnership for fixed period

(d)Partnership at will.

10. In a partnership firm, the difference of opinion over some 'fundamental matter' can be settled

(a)All the partners

(b)Majority of partners

(c)Senior partners

(d)Managing partner.

11. In the absence of any agreement, the interest to partners on the amount of loan advanced to the firm, is allowed at _____

(a)4% per annum

(b)6% per annum

(c)8% per annum

(d)Market rate.

12. Which of the following is an absolute duty and cannot be excluded by an agreement to the contrary?

(a)Duty to share losses equally.

(b)Duty to indemnify for loss caused by partner's fraud.

(c)Duty to indemnify for loss caused by negligence.

(d)Duty to account for profits of a competing business.

13. It is duty of every partner to act within the scope of

(a)Actual authority

(b)Implied authority

(c)Both (a) and (b)

(d)Only (b)

14. Before attaining the age of majority, a minor admitted to the benefits of a firm has the right to

(a)Receive agreed share of property and of profits.

(b)Access and to inspect the accounts of the firm.

(c)Sue the firm for his share of property or profits.

(d)All of the above.

15. Which of the following acts are within the implied authority of a partner?

(a)To engage a lawyer and defend the action brought against the firm.

(b)To purchase goods of the kind used in firm's business.

(c)To engage servants to perform the business of the firm.

(d)All of the above.

16.Which of the following act has not been statutorily excluded from the scope of implied authority of a partner?

(a)To withdraw a suit or proceedings filed on behalf of the firm.

(b)To submit a dispute, relating to the business of the firm, to arbitration.

(c)To receive payments of the debts due to the firm and give receipts for the same.

(d)To acquire or transfer immovable property on behalf of the firm.

17.The firm is bound by an act of a partner done without any express or implied authority if such act is

(a)Done in emergency

(b)Done to protect the firm from loss-threatened by the emergency.

(c)Reasonable in the circumstances

(d)All of these.

18.Where the money received from a third party by the firm, in the ordinary course of its business, is misapplied by one of the partners to his own use, then the

(a)Defaulting partner alone is liable for the same.

(b)Firm is liable for the same.

(c)Firm is not liable for the same.

(d)Third party has no remedy.

19.An incoming partner, who has been validly admitted in the firm, is

- (a) Liable for the past debts of the firm.
- (b) Not liable for the past debts of the firm.
- (c) Liable for debts of the firm incurred after his admission.
- (d) Both (a) and (c).**

20. A retiring partner has the right to carry on a business competing with that of the firm, but he cannot

- (a) Use firm's name
- (b) Represent himself to be a partner
- (c) Solicit firm's existing customers
- (d) All of these.**

UNIT-II

1. In case of improper and wrongful expulsion, the expelled partner

- (a) Does not cease to be a partner.
- (b) Is entitled to be reinstated in his position.
- (c) Can recover damages for wrongful expulsion.
- (d) Both (a) and (b).**

2. On the death of a partner, public notice of death is not given and the firm continues the business, then for the acts of firm done after his death, the estate of the deceased partner is

- (a) Liable
- (b) Not liable**
- (c) Treated as security

(d) Proportionately liable.

3. An ordinary partnership business can have:

(a) Not more than 50 partners.

(b) Not more than 20 partners.

(c) Any number of partners.

(d) Any number than 2 partners.

4. A banking partnership business can have:

(a) Not more than 10 partners.

(b) Not more than 20 partners.

(c) Not more than 50 partners.

(d) Any number of partners.

5. In the absence of an agreement profit and loss are divided by partners in the ratio of:

(a) Capital

(b) Equally

(c) Time devoted by each partner.

(d) None of these.

6. In the absence of an agreement, interest on loan advanced by the partner to the firm is allowed at the rate of:

(a) 6%

(b) 5%

(c) 12%

(d) 9%

7. Current accounts of the partners should be opened when the capitals are:

(a) Fluctuating

(b) Fixed (T)

- (c) Either fixed or fluctuating
- (d) None of these

8. Investment in partnership is made by introducing:

- (a) Cash
- (b) None – cash assets
- (c) **Cash or non-cash assets (T)**
- (d) None of these.

9. Partnership is formed by the partners by:

- (a) Written agreement
- (b) Oral agreement
- (c) **Written or oral**
- (d) None of these

10. The written agreement of partnership is called:

- (a) **Partnership deed**
- (b) Articles of association
- (c) Memorandum of association
- (d) Certificate of incorporation

11. Under fixed capital methods, profit will be credited to:

- (a) Capital Account
- (b) Drawings
- (c) **Current A/c**
- (d) Profit & Loss

12. Capital of the partners are maintained by:

- (a) Fixed capital method.
- (b) Fluctuating capital methods.

(c) **By any two above methods.**

(d) None of them.

13. Liability of partners in a partnership business is:

(a) Limited

(b) **Un-limited**

(c) Limited & unlimited

(d) None of these

14. Partnership business in Pakistan is governed by partnership Act of:

(a) 1913

(b) **1932**

(c) 1984

(d) 1928

15. Revaluation account is operated to find out gain or loss at the time of:

(a) Admission of a partner

(b) Retirement of a partner

(c) Death of a partner

(d) **All of above**

16. An account operated to ascertain the loss or gain at the death of a partner is called:

(a) Realization account

(b) **Revaluation account**

(c) Execution account

(d) Deceased partner A/c

17. Amount due to outgoing partner is shown in the balance sheet as his:

(a) **Liability**

(b) Asset

(c) Capital

(d) **Loan**

18. If all the partners, but one, are solvent it is:

- (a) Dissolution of partnership agreement
- (b) Dissolution of firm**
- (c) May or may not cause dissolution
- (d) None of above

19. At the time of dissolution non – cash assets are credited with:

- (a) Market value
- (b) Book value**
- (c) As the agreed amount among the partners
- (d) Cost or market whichever is low

20. The persons who have entered into a partnership business are individually called:

- (a) Vender
- (b) Agents
- (c) Partners**
- (d) A firm

UNIT-III

1. The persons who have entered into a partnership business are individually called:

- (a) Vender
- (b) Agents
- (c) Partners**
- (d) A firm

2. The persons who have entered into a partnership business are individually called:

- (a) Realization A/c**
- (b) Partners capital A/c
- (c) Sundry debtors
- (d) Provision for bad debts A/c

3. A credit balance on a partner's current A/c is _____

- (a) Fixed capital

(b) Part of capital

(c) A current asset

(d) Long – term liability

4. Every partner has a right to be consulted in all matters affecting the business of:

(a) Sole – trader ship

(b) Partnership

(c) JSC

(d) Both (a) and (b)

5. A person who receives a share of profits from one of the regular partner is called:

(a) Secret partner

(b) Quasi

(c) partner in profit only

(d) Sub – partner

6. Old profit sharing ratio minus new profit sharing ration is equal to:

(a) Sacrificing ratio

(b) Ratio of gain

(c) Capital ratio

(d) None

7. The partnership may come to an end due to the:

(a) Death of a partner

(b) Insolvency of partner

(c) By giving notice

(d) All of the above

8. The members of partnership firm are individually called as:

(a) Director

(b) Investor

(c) Partner

(d) Manager

9. When a partner dies, firm will receive the:

(a) 1/2 amount of policy

(b) 1/4 amount of policy

(c) 3/4 amount of policy

(d) Full amount of policy

10. When was the Indian partnership Act brought up _____

a) 1932

b) 1972

c) 1949

d) 1956

11. 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 whereas partnership agreement is not registered.

d) All of the above

12. 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.

13. In the absence of an agreement partners are entitled to _____

a) Salary

b) Commission

c) Interest on loans and advances

d) Wages

14. 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

15. 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

16. Profit and loss appropriation account is prepared _____

a) For proprietorship firm

b) For Partnership firm

c) For companies

d) Both A&B

17. Is rent paid to a partner is appropriation of profits _____

a) Yes

b) No

c) Both a & b

d) None of the above

18. What balance does partner current account has _____

a) Debit balance

b) Credit balance

c) Reserves

d) Either A or B

19. What time would be taken into consideration if equal monthly amount is drawn as drawings at the beginning of each month?

a) 7 months

b) 6.5 months

c) 6 months

d) 8 months

20. On admission of a partner if goodwill account is to be raised this should be debited to

a) Partners capital A/c

b) Goodwill A/c

c) Revaluation A/c

d) Profit & Loss Appropriation A/c

UNIT-IV

1. Gaining ratio = _____

a) Old ratio - new ratio

b) New ratio – Old ratio

c) Sacrificing Ratio - new ratio

d) Profit sharing ratio

2. Treatment of goodwill on retirement of a partner is dealing with _____

a) AS-10

b) AS-14

c) AS-17

d) AS-11

3. 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

4. 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

5.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

6. 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

7. 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

8. 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

9. 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

10. 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

11. 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

12. In “Dissolution”, “T” means_____

a) Insolvent

b) Indemnity

c) Incapacity

d) Illegal

13. In “Dissolution”, “L” means_____

a) Lunacy

b) Loss

c) Liability

d) Legal

14. When the number of partners exceeds 20, is known as_____

a) Dissolution by agreement

b) Compulsory dissolution

c) Voluntary dissolution

d) Dissolution by court

15. 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

16. 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

17. 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

18. 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

19. 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

20. 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

UNIT-V

1. Financially, shareholders are rewarded by
 - a) interest
 - b) profits
 - c) **dividends**
 - d) none of these
2. Which of the following is not a current assets?
 - a) Accounts receivable
 - b) Inventory of finished products
 - c) Inventory of raw materials
 - d) **Land**
3. Which of the following is a financial asset?
 - a) Inventories
 - b) Equipment
 - c) Loan to an associate
 - d) **Accounts receivable**
4. The cash flow statement consists of which of the following sections?
 - a) Operating and non-operating
 - b) current and non-current
 - c) **operating, investing and financing**
 - d) trading and financial
5. Which of the following is not a long-term liability?
 - a) Accounts payable (for payable due in more than one year)
 - b) Bank borrowings reimbursable in more than one year
 - c) Bank overdrafts
 - d) Cash Ratio

6. When does an accountant record a transaction?

- a) **If it is materialized by a concrete document**
- b) if it has a tax implication
- c) on Manager's demand
- d) None of these

7. Which of the following equations represents the balance sheet?

- a) $\text{Assets} + \text{Liabilities} = \text{Shareholders' equity}$
- b) $\text{Assets} = \text{Liabilities} = \text{shareholders' equity}$
- c) $\text{Assets} = \text{Liabilities} - \text{Shareholders' equity}$
- d) **$\text{Assets} = \text{Liabilities} + \text{Shareholders' equity}$**

8. Which of the following describes a record of the transactions?

- a) General ledger
- b) Income statement
- c) Balance sheet
- d) **Journal**

9. The Four principal qualitative characteristics of useful financial statements are

- a) **understandability, relevance, reliability, comparability**
- b) timeliness, relevance, reliability, comparability
- c) understandability, relevance, accuracy, comparability
- d) understandability, relevance, reliability, simplicity

10. Earnings are the result of the difference between

- a) revenue and assets
- b) revenue and liabilities
- c) liabilities and expenses
- d) **revenue and expenses**

11. In pure single entry which account is recorded?

A. Personal.

B. Real.

C. Nominal.

D. Asset.

12. All personal, real and nominal accounts are opened in _____.

A. single entry system.

B. double entry system.

C. accrual system.

D. mercantile system.

13. Only personal account and cash account are opened in _____.

A. single entry system.

B. double entry system.

C. accrual system.

D. mercantile system.

14. Trial balance can be prepared in _____.

A. single entry system.

B. double entry system.

C. accrual system.

D. mercantile system.

15. Which of the following is the accounting equation for a non-profit organization?

A. $\text{Asset} = \text{Capital} + \text{Liabilities}$

B. $\text{Capital} + \text{Liabilities} = \text{Assets}$

C. $\text{Accumulated fund} + \text{Liabilities} = \text{Assets}$

D. $\text{Liabilities} = \text{Asset} + \text{Accumulated fund}$

16. Balance sheet cannot be prepared _____.

A. in single entry system.

B. in double entry system.

C. with the help of cash book.

D. with the help of bank account.

17. In single entry system, net worth method is also called _____.

A. double entry system .

B. mercantile system.

C. statement of affairs method.

D. accrual system.

18. Difference between net worth at the beginning of the year and at the end of the year represents

_____.

A. capital balance.

B. cash balance.

C. pass book balance.

D. profit or loss.

19. Opening capital can be found by preparing _____.

A. cash book.

B. bank account.

C. statement of affairs.

D. statement of bank pass book.

20. A statement of affairs is just like a _____.

A. balance sheet.

B. profit and loss account.

C. cash account.

D. trading account.

ADVANCED ACCOUNTING-17UEC309

K2 LEVEL QUESTIONS

UNIT -I

1. Definition of a partnership.

A partnership is a business structure whereby two or more people share ownership; these partners share any profits, but also the costs, risks, and responsibilities involved with the running of the business. Keeping on top of your accounting and finances is essential for the growth of a business.

2. What is partnership deed?

A partnership deed, also known as a partnership agreement, is a document that outlines in detail the rights and responsibilities of all parties to a business operation. It has the force of law and is designed to guide the partners in the conduct of the business.

3. What is the importance of partnership deed?

A partnership is a less-formal operating structure than an incorporation; a partnership agreement can protect owners in the event of the death of one partner, a dispute, a sale to a new partner or the dissolution of the business, among other benefits.

4. What is interest on capital?

Interest will be allowed to each partner on the capital contributed by him. Interest on capital is an expense to the firm and is debited to the profit and loss appropriation account. Interest is payable to the partners and hence, the partner's capital account is credited with the amount of interest.

5. What is interest on drawing?

Interest on drawings is an income to the firm, and hence it is credited to the profit and loss appropriation account. On the other hand, interest on drawings is an expense to the partners, and hence it is debited to their capital accounts.

6. What is profit and loss appropriation account?

The profit and loss appropriation account is an extension of the profit and loss account. The main intention of preparing a profit and loss appropriation account is to show the distribution of profits among the partners.

7. What is partners capital account?

The partnership capital account is an equity account in the accounting records of a partnership. It contains the following types of transactions, Profits and losses earned by the business, and allocated to the partners based on the provisions of the partnership agreement. Distributions to the partners.

8. What is fixed capital of a partner?

Fixed capital includes assets and capital investments such as property, plant, and equipment. The amount of fixed capital needed to set up a business is quite variable, especially from industry to industry. Fixed capital is subject to the accounting practice of depreciation.

9. What do you mean by fixed and fluctuating capital?

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.

10. What do you mean by fluctuating capital method?

Fluctuating capital method is one in which capital balances of the partners go on changing every year due to entries for adjustments like drawings, interest on capital and drawings, salaries, commission, allowances, etc. Recorded in their capital accounts.

UNIT-II

1. What is admission of a new partner?

A person who is admitted to the firm is known as a incoming partner or a new partner. so on admission of a new partner the existing partnership agreement comes to an end.

2. How is sacrificing ratio calculated on admission of a partner?

The existing partner's new ratio is calculated by dividing the remaining share of the profit in their existing ratio. X and Y are partners sharing profit in the ratio of 3:2. They admit Z as a new partner for $\frac{1}{5}$ th share in profit. Calculate the new profit sharing ratio and sacrificing ratio.

3. What is sacrificing ratio in partnership?

The existing partners sacrifice a share of their profit in favour of the new partner. Hence, the calculation of new profit sharing ratio becomes necessary. The ratio in which the existing partners agree to sacrifice their share of profits in favour of the incoming partner is called the sacrificing ratio.

4. What is goodwill?

Goodwill is created when one company acquires another for a price higher than the fair market value of its assets

5. What is the method of valuation of goodwill?

The valuation of goodwill is often based on the customs of the trade and generally calculated as number of year's purchase of average profits or super-profits. Valuation of purchased goodwill: (1) Average profit method 2) Capitalization method.

6. What is Capitalization method?

Capitalization of earnings is a method of determining the value of an organization by calculating the net present value (NPV) of expected future profits or cash flows. The capitalization of earnings estimate is determined by taking the entity's future earnings and dividing them by the capitalization rate.

7. What is average profit method of valuation of goodwill?

Under this method, goodwill is calculated on the basis of the average of certain agreed number of past years' profits. The average is then multiplied by the agreed number of years of purchase. This is the simplest and the most commonly used method of the valuation of goodwill.

8. How do you calculate goodwill?

- **Find the Book Value of Assets. You can find the book value of assets from the balance sheet of the company.**
- **Find the Fair Value of Assets.**
- **Calculate Fair Value Adjustments.**
- **Calculate Excess Purchase Price.**
- **Calculate Goodwill.**

9. How many types of goodwill are there?

There are two distinct types of goodwill: purchased, and inherent.

10. What is the need for valuation of goodwill?

Goodwill is the value of the reputation of a firm built overtime in respect to the expected future profits over and above the normal profits. Goodwill is an intangible real asset which cannot be seen or felt but exists in reality and can be bought and sold. In partnership, goodwill valuation is very important.

UNIT-III

1. What do you mean by retirement of a 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. At the time of retirement the retiring partner's claim is settled.

2. What is death of a partner?

A two-person partnership does not terminate upon a partner's death if the deceased partner's successor in interest (usually the estate) continues to share in the partnership's profits or losses.

3. What is gaining ratio?

Gaining ratio is a partnership term. it is a ratio that is calculated in the event of retirement or death of a partner. it is calculated as follows: $\text{Gaining Ratio} = \text{New share} - \text{Old share}$.

4. Why do we calculate gaining ratio?

The ratio, in which the continuing partners acquired the share of retiring partner, is called as gaining ratio.

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

This is done to adjust the changes in values of assets and liabilities at the time of retirement of a partner. Any profit or loss due to revaluation is divided amongst all the partners including the retiring partner in their existing profit sharing ratio.

6. Why a retiring or deceased partner is entitled to a share of goodwill of the firm?

The retiring or deceased partner is entitled to his share of goodwill at the time of retirement or death because the goodwill earned by the firm is the result of the efforts of all the partners in the past. Since in future profits will arise because of the present goodwill.

7. How is goodwill treated?

Treatment of Goodwill in Partnership Accounts. Goodwill is a fictitious or intangible asset that may be found on the Balance Sheet of a company. When accounting for partnership firms the accounting treatment of goodwill in various situations is very important.

8. 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.

9. 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.

10. Why goodwill is written off?

Goodwill is written off because it represents the premium on acquiring another firm. Its obvious goodwill is not a real asset, it's just an accounting term. A firm will write off goodwill when it wants to shrink the balance sheet and if it thinks that the goodwill doesn't represent anything.

UNIT-IV

1. Define company accounts.

Financial information that a company is required to produce at the end of every year, including details of its profits or losses.

2. What is company explain different types of company?

A company is any entity that engages in business. Companies can be structured in different ways. For example, your company can be a sole proprietorship, a partnership, or a corporation. Liability in most types of company is assumed by the owners, and can either be limited or unlimited depending on the type.

3. What are the two main types of companies?

There are two main types of companies in Australia, propriety (private) and public companies. The most common type of company in Australia is the proprietary company (often signified by the "Pty" at the end of the company name).

4. Why does a company issue new shares?

The reason a company issues new stock is as a way to raise capital. When new stock is issued it is usually offered to existing shareholders first, in proportion to their current holding. If the shareholder decides to purchase the new stock in full then their position won't be diluted.

5. In what ways forfeited shares are reissued?

Typically, forfeited shares are reissued at a discount, i.e., at a price below their nominal value. If the shares were initially issued at par, the maximum discount for the reissued stock is equal to the amount forfeited on the shares. Reissued shares must not be discounted more than the amount forfeited on them.

6. What is the result of forfeiture of shares?

Forfeiture of shares is a process where the company forfeits the shares of a member or shareholder who fails to pay the call on shares or instalments of the issue price of his shares within a certain period of time after they fall due.

7. When shares are issued at par premium and discount?

A company issues its shares at a premium when the price at which it sells the shares is higher than their par value. This is quite common, since the par value is typically set at a minimal value, such as \$0.01 per share.

8. When can a company issue shares at premium?

Share premium can be defined as the excess amount received by the company over and above the face value of its shares. All types of companies can issue their shares at premium. As per the provisions of Section 52 of the Companies Act, 2013 a company can issue shares at a premium, whether for cash or otherwise.

9. What is issue of shares at discount?

When Shares are issued at a price lower than their face value, they are said to have been issued at a discount. For example, if a share of Rs 100 is issued at Rs 95, then Rs 5 (i.e. Rs 100—95) is the amount of discount. It is a loss to the company.

10. What is issue of shares at par?

A company issues its shares at a premium when the price at which it sells the shares is higher than their par value. This is quite common, since the par value is typically set at a minimal value, such as \$0.01 per share. The amount of the premium is the difference between the par value and the selling price.

UNIT-V

1. Why do you prepare final accounts?

Final accounts give an idea about the profitability and financial position of a business to its management, owners, and other interested parties. All business transactions are first recorded in a journal. They are then transferred to a ledger and balanced. These final tallies are prepared for a specific period.

2. What are the objectives of final accounts?

The main objective of financial accounting is to accurately prepare an organization's final accounts for a specific period, otherwise known as financial statements. The three primary financial statements are the income statement, the balance sheet and the statement of cash flows.

3. What is Partnership final account?

In final accounts partnership means when two or more persons come together to start business. They share their profit or loss as per mentioned in their agreement.

4. What is the difference between a balance sheet and an income statement?

The difference between the balance sheet and income statement. The balance sheet reports assets, liabilities, and equity, while the income statement reports revenues and expenses that net to a profit or loss.

5.What is mean by managerial remuneration?

Managerial Remuneration – Director's Salary as per Companies Act. As per the Companies Act, 2013, Managerial Person means a managing director, whole-time director or manager of a company incorporated in India. Managerial remuneration includes pay, compensation, or reward for work which is earned by a managerial person.

6.What does remuneration mean?

Reward for employment in the form of pay, salary, or wage, including allowances, benefits (such as company car, medical plan, pension plan), bonuses, cash incentives, and monetary value of the noncash incentives.

7.What is the difference between salary and remuneration?

Salary consists of yearly gross wages. Employer can pay this in an hourly rate or a fixed amount on regular basis. Remuneration includes salary, commission, compensation, and wages. Hence salary & remuneration is one and the same thing, remuneration being a wider term which includes salary.

8.Can a managing director draw remuneration from two companies?

A Public Company can pay remuneration to its directors including Managing Director s and Whole-time Directors, and its managers which shall not exceed 11% of the net profit as calculated in a manner laid down in section 198 of the Companies Act, 2013.

9.What is directors remuneration in accounting?

Directors' remuneration is the process by which directors of a company are compensated, either through fees, salary, or the use of the company's property, with approval from the shareholders and board of directors.

10.What is a director's remuneration report?

Quoted companies are subject to considerably more onerous requirements involving preparation of a directors' remuneration report including detailed information about each director's remuneration. The Annual Statement from the Remuneration Committee Chair will need to provide a summary of any discretion used.

ADVANCED ACCOUNTING-17UEC309

K3 LEVEL QUESTIONS

UNIT -I

1. On 1st January 2011, **Udhaya** and **Surya** entered into partnership and contributed Rs.80,000 and Rs.60,000 respectively. They share profits and losses in the ratio of **3:2**. Surya 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, Udhaya withdrew Rs.12,000 and Surya Rs. 24,000, interest being Udhaya Rs.280 and Surya Rs.200. Profit in 2011 before the above noted adjustments was Rs.42,320.

Prepare **i) Profit and loss Appropriation A/c.**
 ii) Partners Capital A/c.

2. A partner makes a drawings of Rs.2,000 p.m under the partnership deed interest is to be charged at 12%p.a. What is the interest that should be charged to the partner if the amount was drawn i) if the amount was drawn ii) in the middle of the month and iii) at the end of the month.

3. In a partnership partners are charged interest on drawings at 12%pa. During the year ended 31st dec 2014, a partner drew as follows.

Rs.	
February 1	1,500
May 1	5,500
June 30	1,500
October 31	6,500
December 31	2,000

What is the interest chargeable to the partner?

4. Write Note on i) Interest on Capital.

ii) Interest on Drawings.

5. Anbu is the partner of a firm. He withdraws Rs.800 on the first day of each month. The rate of interest on drawings is at 5% per annum and the books are closed on 31st December. Calculate the amount of interest on drawings. A firm earned net Profits during the last three years as follows:

I year -	`46,000
II year -	`50,000
III year -	`54,000

UNIT -II

1. What are the differences between “Gaining Ratio and Sacrificing Ratio”

2. The capital investment of the firm is `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.

3. P, Q and R are partner sharing profits equally. They admit S for 1/5th share and decide that relative ratio between them will remain unchanged. Calculate new profit sharing ratio.

4. P and Q are partners in a business sharing profits in the ratio of 5:3. They decide to admit R into the firm giving him 1/6th share. Calculate the **New Profit-Sharing Ratio** and **Sacrificing Ratio of the Partners**.

5. A firm earns Rs.1,20,000 as its annual profits, the rate of normal profit being 10%. The assets of the firm amount to Rs.14,40,000 and liabilities to Rs.4,80,000. Find out the value of goodwill by Capitalization method.

UNIT -III

1. Ravi and Raja had a firm in which they had invested Rs.1,00,000. On average the profits were Rs. 32,000. The usual rate of earnings in the firm is 15%. Goodwill is to be valued at 4 years

purchase of profits in excess of profits at 15% on the money invested. Find out the value of Goodwill.

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

3. Krishna, Raja and Sony share profits as $\frac{1}{2}$ to Krishna, $\frac{1}{3}$ to Raja and $\frac{1}{6}$ to Sony. Sony retires. Calculate the gaining ratio of Krishna and Raja.

4. X,Y and Z are partners sharing profit in the ratio 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 and new ratio.

5. R, S and T were partners sharing profits in the ratio of **5:4:1**. R retires from the firm. Calculate the new profit-sharing ratio.

UNIT -IV

1.**Vivek, Nivek&Rivek** are partners sharing profit & losses in the ratio of **$\frac{1}{2}$, $\frac{1}{3}$ and $\frac{1}{6}$** respectively. **Rivek** retires and his share was taken up by **VivekandNivek**in the ratio of **2:1**. Find out the **new Profit & Loss sharing Ratio**.

2.The directors of Z co.Ltd. forfeit 10 shares of Rs.50 each belonging to 'Karthik' who had paid Rs.5 per share on application, Rs.10 on allotment and Rs.15 on first call but failed to pay final call of Rs.20. the same shares are then reissued to 'Raj' as fully paid on receipt of Rs.400. Pass journal entries for Forfeiture and the Reissue of shares.

3. Write a note on i) Shares issued at Discount.
 ii) Shares issued at Premium.

4. Kailash Ltd purchase the Business of Kavi Bros. for Rs.54,00,000 payable in fully paid shares of Rs.100 each. What entries will be made in the books of Kailash Ltd,. If such Issue is
i) At Par ii) At a Premium of 20% iii) At a Discount of 10%.

5. India ltd., issued 10,000 shares of Rs 10 each at premium of Rs 2 per share payable as follows
On application Rs 3

On allotment Rs 5 (including premium)

On first call Rs 2

On second & final call Rs 2

All these shares were duly subscribed and money due was fully received pass journal entries in the books of India Ltd.,

UNIT -V

1. Mahendra Ltd., issued 1,70,000 shares of Rs 10 each at discount of 10%. The shares were payable as under

On application Rs 30

On allotment Rs 40 (with adjust of discount)

On first and final call Rs 20

Public applied for 1,60,000 shares and all money was duly received pass journal entries.

2. Draw a Proforma of Trading A/c and Profit & Loss A/c.

3. Prepare trading account of Archana for the year ending 31st March 2016 from the following information:

	Amount (Rs.)
Opening stock	80,000
Purchase	8,60,000
Freight inward	52,000
Wages	24,000
Sales	14,40,000
Purchase return	10,000
Sales return	3,16,000
Closing stock	1,00,000
Import duty	30,000

4. Draw a Proforma of Balance Sheet.

5. Write short note on a) Company and b) Shares Issued at Discount.

ADVANCED ACCOUNTING-17UEC309

K4 LEVEL QUESTIONS

UNIT -I

1. Explain the meaning and importance of Partnership; List out partnership deed usual contents.
2. Ram and Ravi are partners in a firm sharing profits and losses as to $\frac{3}{4}$ ^{ths} to Ram and $\frac{1}{4}$ th to Ravi. Their capitals on 1st January, 2010 amounted to Rs.18,000 and Rs.12,000 respectively. During the year ended 31st December 2010 they lost Rs.10,608 without taking account interest on capital and Drawings. According to partnership deed, interest on capital 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.3,000 and 2,400 respectively and interest on them worked out to be Rs.60 and Rs.48 respectively.
Draw up the Profit & Loss Appropriation A/c and the capital A/c of the partners as on 31st December 2010.

3. Geetha and Radha are partners in a firm, following items will be appear:

Particulars	Geetha (Rs.)	Radha (Rs.)
Capital on 01/10/12	8,00,000	7,00,000
Drawings	1,60,000	1,40,000
Interest on drawings @ 5%	4,000	2,000
Share of profits	84,000	66,000
Interest on capital @ 6%	48,000	42,000
Salary	72,000	Nil

Prepare Partner's Capital Account.

4. Briefly explain partnership deed.
5. On 1st January 2011 kavitha and kaviya entered into partnership and contributed Rs. 80,000 and Rs.60,000 respectively. They share profits and losses in the ratio of 3:2. Kaviya is to be allowed a salary of Rs.16,000 per year. Interest on capital is to be allowed @ 5% per annum. 5% interest is to

be charged on drawings. During the year Kavitha withdraw Rs.12,000 and kaviya Rs.24,000. Interest being Kavitha Rs.280 and Kaviya Rs.200 profit in 2011 before the noted adjustments was Rs.42,320.
i)Show the distribution of profit between the partners and prepare capital account.ii)When they are fluctuating iii)When they are fixed capital.

UNIT -II

1.A and B are partners sharing profits in the ratio of 3:1. Their balance sheet stood as under on 31st March 2012.

Balance Sheet

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Capital:		Buildings	3,00,000
A: 3,00,000		Machinery	2,20,000
B: <u>2,00,000</u>	5,00,000	Furniture	60,000
Creditors	4,00,000	Stock	1,00,000
Salary due	50,000	Pre-paid insurance	10,000
		Debtors 80,000	
		<i>Less:</i> Provision	75,000
		<u>5,000</u>	
		Cash	1,85,000
	9,50,000		9,50,000

C is admitted as a new partner introducing a capital of Rs. 2,00,000 for his 1/4th share in future Profits.

- i) Stocks be depreciated by 5%
- ii) Furniture be depreciated by 10%
- iii) Buildings be revalued at Rs.4,50,000.
- iv) The provision for doubtful debts should be increased to Rs.10,000.

Pass Journal entries, Prepare Revaluation A/c and Balance Sheet after admission.

2. Mohan and Nathan were partners sharing profits in the ratio of 3:2. They admitted Sekar for $\frac{1}{4}$ th share of profits. Their Balance Sheet on the date of admission was as follows:

Liabilities	Amount Rs.	Amount Rs.	Assets	Amount Rs.	Amount Rs.
Sundry creditors		60,000	Buildings		1,00,000
Loan		40,000	Furniture		40,000
Capital			Stock		22,000
Mohan	1,00,000		Debtors		
Nathan	<u>1,00,000</u>	2,00,000	<u>Less: Provision</u>	<u>2,000</u>	38,000
			Cash		1,00,000
		3,00,000			3,00,000

Pass journal entries and prepare Balance Sheet after Sekar's admission taking into account the Following:

- Sekar to contribute Rs.60,000 as capital and Rs.5,000 only out of his share of goodwill.
- Goodwill of the firm is valued at 5 years purchase of super profits. Average profit and normal profit were Rs.50,000 and 40,000 respectively.
- Fixed assets are Depreciated by 10%
- Stock is valued at Rs.20,000
- Provision for doubtful debts is increased to Rs.4,000

3. Explain the methods of valuation of goodwill

4. P and Q share profits in the ratio of 3:2. On 01/04/2010, they admitted R as a partner. The Balance sheet on that date was as follows:

Liability	Amount(Rs.)	Assets	Amount(Rs.)
Creditors	24,000	Cash at bank	18,000
General reserve	32,000	Stock	24,000
Workmen's compensation fund	8,000	Debtors	22,000
		Machinery	20,000

Capitals:		Land & buildings	16,000
A 20,000	36,000		
K <u>16,000</u>			
	1,00,000		1,00,000

The following terms were agreed:

- The new profit-sharing ratio 2:2:1.
- Assets revaluation: land & buildings Rs.36,000; stock Rs.32,000.
- The amount required for workmen compensation fund is Rs.4,000.
- R to bring Rs. 20,000 for Goodwill.
- R to bring 20% of the combined capital of A and K after giving effect to the above adjustments.

Prepare:

- Revaluation Account,
- Capital accounts and
- New Balance sheet.

5.Dhamu&Ramu are partners in a firm. They share profit and losses in ratio of 3:1. Their balance sheet is as follows:

Balance Sheet

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Capital Dhamu	80,000	Buildings	1,00,000
Ramu	40,000	Plant	25,000
Reserve	40,000	Stock	40,000
Creditors	60,000	Debtors	70,000
Bills payable	20,000	Cash	5,000
	2,40,000		2,40,000

Somu is admitted into partnership for $\frac{1}{5}$ th share of the business on the following terms:

- i) Building is revalued @ `1,20,000.
- ii) Plant is depreciated to 80%.
- iii) Provision for bad debts is made @ 5%.
- iv) Stock is revalued @ `30,000.
- v) Somu should introduce 50% of the adjusted capitals of both Dhamu&Ramu.

Prepare

I) Revaluation A/C

II) Partners Capital A/C.

UNIT-III

1.A, B and C are partners in a firm sharing profits and losses in the ratio of **1/3:1/2:1/6** respectively. Their Balance sheet as on 31st March 2011 was as follows.

Balance Sheet

Liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Capital:		Buildings	1,00,000
A: 60,000		Machinery	80,000
B: 80,000		Furniture	20,000
C: <u>50,000</u>	1,90,000	Stock	50,000
Reserve fund	32,000		
Loan payable	30,000	Cash	17,000
Sundry creditors	50,000	Debtors	36,000
		Less: Provision	35,000
		1,000	
	3,02,000		3,02,000

‘C’ retires on 31st March 2011 subject to the followings:

- i) Goodwill of the firm is valued at Rs.48,000.

- ii) Machinery to be Depreciated by 10%
- iii) Furniture to be depreciated by 5%
- iv) Stock to be appreciated by 15%
- v) Buildings to be appreciated by 10%
- vi) Reserve for doubtful debts to be raised to Rs.4,000.

Prepare Revaluation A/c.

Partners' capital A/c.

Balance Sheet.

2.What are the differences between “Gaining Ratio and Sacrificing Ratio”?

3.A, B&C are partners sharing profit and loss in the ratio of 1/3:1/2:1/6 respectively their balance sheet as on 31.03.2012 was as follows.

Liabilities	Rs.	Assets	Rs.
Capital		Buildings	50,000
A	30,000	Machinery	40,000
B	40,000	Furniture	10,000
C	25,000	Stock	25,000
Reserve fund	16,000	Debtors	18,000
Loan payable	15,000	Less: Provision	50017,500
Sundry creditors	25,000	Cash	8,500
	1,51,000		1,51,000

C retires on 31st march 2012 subject to the following conditions.

- 1) Goodwill of the firm is valued at Rs. 24,000
- 2) Machinery to be depreciated by 10%
- 3) Furniture to be depreciated by 5%
- 4) Stock to be appreciated by 15% & building to be appreciated by 10%
- 5) Reserves for doubtful debts to be raised to Rs.2,000

Prepare necessary ledger a/c and show the balance sheet of the new firm.

4.Anbu , Bhajan & Chandran were in partnership sharing profit & losses equally on 1.1.2011. Anbu retired when the firms balance sheet was as under:

Liabilities	Rs.	Assets	Rs.
Capital a/c			
Anbu	8,000	Land & Buildings	4,200
Bhajan	6,800	Plant & machinery	6,980
Chandran	7,800	Sundry debtors	8,915
Creditors	6,928	Investment	8,000
		Cash	1,433
Total	29,528	Total	29,528

According to the partnership deed, assets were agreed to be revalued on anbu's retirement as under:

Land & buildings Rs. 5,800; Plant & machinery Rs.6,564; Investments Rs.8,400; Goodwill was then revalued at Rs.9,600.

Pass necessary journal entries, prepare revaluation a/c and balance sheet.

5. Explain the treatment of goodwill at the time of retirement.

UNIT-IV

1. X,Y& Z were partners sharing profit equally. Z died on 31/12/2011. The balance sheet of the firm

as at 31/12/2010 was as under:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c's		Goodwill	40,500
X	90,000	Buildings	90,000
Y	75,000	Investment (at cost)	24,000
Z	63,000	Debtors	
Reserve fund	18,000	54,000	48,600
Investment fluctuation	6,300	Less: Provision	84,000
fund	46,800	<u>5,400</u>	12,000
Creditors	2,99,100	Stock	2,99,100
		Cash at Bank	

On the date of death it was found that:

i) Debtors were all good.

- ii) Investment were valued @ ` . 22,5000 and were taken over by X at that value.
- iii) Stocks were valued @ `.75,000.
- iv) Buildings was valued at `.1,71,000.
- v) A liability for workmen's compensation for `.9,000 was to be provided for.
- vi) Goodwill was to be valued @ one year's purchase of average profits of last 5 years.
- vii) Z's share of profit upto the date of death was to be calculated on the basis of last year's profit.

The profits of the last 5 year were as under:

2006	-	`.34,500
2007	-	`.37,500
2008	-	`.24,000
2009	-	`.30,000
2010	-	`.36,000

Prepare I) Revaluation A/c,

II) Partners capital A/c and

III) Balance Sheet.

2. Explain I)Issue of shares II)Forfeiture of shares

3. Walter Ltd. Purchased land & buildings costing Rs.20,00,000 and in payments allotted 20,000equity shares of Rs.100 each as fully paid. Further the company issued 40,000 equity shares to the public. The shares were payable follows;

On application Rs.20; On allotment Rs.40; On call Rs.40.

The public applied for all the shares which were allotted. All moneys were received. Show the journal entries in the books of Walter Ltd.

4. BabuCo.Ltd., Issued 50,000 equity Shares of Rs.10 each to the public on condition that full amount of shares will be paid in lump sum. All these shares were taken up by the Public. Pass journal entries in the books of company when

- i) Shares are Issued at Par
- ii) Shares are Issued at a Premium of 10%
- iii) Shares are Issued at a Discount of 10%.

5. Honda Ltd., issued 5000 shares of Rs 10 each at par payable on application at Rs 3 per share

On allotment Rs 3 per share

On first call Rs 2 per share

On first call Rs 2 per share

Mr. Raja was allotted Rs 50 share give necessary journal entry related to for feature of share in each of the following

Case 1

Raja failed to pay first call money and his share forfeited.

Case 2

Raja failed to pay both call and his shares were forfeited.

UNIT-V

1.Susuki Ltd issued 1,00,000 shares of Rs 10 each payable

Rs 3 on application

Rs 2 on allotment

and balance when required.

1,20,000 shares were applied for the directors decided to reject the excess application all money due was received pass journal entries journal entries in the books of susuki Ltd.,

2. Nokia Ltd. Was registered capital of Rs.6,00,000 in equity Shares of Rs.10 each. The following is its Trial Balance on 31st March 2014.

Particulars	Debit Rs.	Credit Rs.
Goodwill	25,000	-
Cash	750	-
Bank	39,900	-
Purchase	1,85,000	-
Preliminary Exp	5,000	-
Share Capital	-	4,00,000
12% debentures	-	3,00,000
P & L A/c	26,250	-
Calls-in-arrears	7,500	-

Premises	3,00,000	-
Plant & Machineries	3,30,000	-
Interim Dividend	39,250	-
Sales	-	4,15,000
Stock (01/04/2013)	75,000	-
Furniture & Fixtures	7,200	-
Sundry Debtors	87,000	-
Wages	84,865	-
General Exp	6,835	-
Freight and Carriage	13,115	-
Salaries	14,500	-
Directors Fees	5,725	-
Bad Debts	2,110	-
Debenture interest paid	18,000	-
Bills payable	-	37,000
Sundry Creditors	-	40,000
General Reserves	-	25,000
Provision for Bad Debts	-	3,500
	12,46,750	12,46,750

Prepare Profit & Loss A/c, Profit & Loss Appropriation A/c and Balance Sheet in proper form after making the following adjustments.

Depreciate Plant & Machineries by 15%

Write off Rs.500 from preliminary exp.

Provide for 6 months interest on debentures

Leave bad and doubtful debts provision at 5% on sundry debtors

Provide for income tax at 50%

Stock on 31/03/2014 was Rs.95,000.

3. Briefly explain the managerial remuneration.

4. Moon and Star co.Ltd. is a company with an authorized capital of Rs.5,00,000 divided into 5,000 equity share of Rs.100 each on 31st December 2010 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31st December 2010.

Trial balance of Moon & Star co.Ltd.

Debit	Amount(R s.)	Credit	Amount(R s.)
Opening stock	50,000	Sales	3,25,000
Purchase	2,00,000	Discount received	3,150
Wages	70,000	Profit & loss A/c	6,220
Discount Allowed	4,200	Creditors	35,200
Insurance (upto 31.3.11)	6,720	Reserves	25,000
salaries	18,500	Loan from managing directors	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Profit & Loss A/c for the year ended 31st march 2010 and Balance Sheet as on that date. The following further information is given:

- i) Closing stock was valued at Rs. 1,91,500.
- ii) Depreciation on plant at 15%,

- iii) Depreciation on furniture at 10%,
- iv) A tax provision of Rs. 8,000 is considered necessary.
- v) The directors declared an interim dividend on 15.8.2010 for 6 months ending June 30, 2010 @ 6%.

5. Distinguish between Partnership firms and Joint Stock Company.