

SEM	SET	PAPER CODE	TITLE OF THE PAPER
IV	2013	---	BUSINESS ACCOUNTING

**SECTION – A**

**Answer all the questions:**

**20 x 1 = 20**

**Choose the correct answer:**

- Goodwill is
  - A tangible asset
  - An intangible asset
  - A fictitious asset
  - A hidden asset
- Joint life policy A/c is
  - A nominal A/c
  - A personal A/c
  - An asset A/c
  - None of the above
- The amount of General Reserve transferred to partner's capital account is in
  - New profit sharing ratio
  - Old profit sharing ratio
  - Capital ratio
  - None of there
- Share allotment is a
  - Personal A/c
  - Real A/c
  - Impersonal A/c
  - Nominal A/c
- Interim dividend is always shown
  - In P & L a/c
  - In P and L appropriation a/c
  - On the assets side of the balance sheet
  - On the liabilities side of the balance sheet

**Fill in the blanks:**

6. Revaluation account is \_\_\_\_\_.
7. If the firm has \_\_\_\_\_, it can pay the amount to the retiring partners.
8. A partnership firm can be dissolved at any time by mutual consent of all the \_\_\_\_\_.
9. Shareholders receive \_\_\_\_\_ as return for their investment.
10. Loose tools is shown in the balance sheet under the head \_\_\_\_\_.

**State True or False:**

11. Revaluation A/c and P and L adjustment A/c are same.
12. A retiring partner is entitled to his share in the goodwill of the firm as per the agreement between the partners.
13. When all partner become insolvent, the loss on accounting insolvency of the partners will have to be borne by creditors.
14. A shareholder of a company is liable for the act of company.
15. Capital profits can be used for paying fully paid by bonus shares.

**Match the following:**

- |                          |  |
|--------------------------|--|
| 16. Sacrificing ratio    | - a) Depreciation method                 |
| 17. Gaining ratio        | - b) Memorandum of association           |
| 18. External liabilities | - c) Creditors                           |
| 19. Object clause        | - d) When a partner retire from the firm |
| 20. Straight line        | - e) Old ratio – New ratio               |

**SECTION – B**

**Answer any FOUR questions:**

**4 x 20 = 80**

21. Define Goodwill. How it is treated at the time of admission as a partner?
22. Ram and Shyam are partners sharing profits and losses in the ratio 3:2. Their Balance sheet is as follows:

Liabilities	`	Assets	`
Capital accounts		Machinery	30,000
Ram	30,000	Stock	24,000
Shyam	22,500	Debtors	22,500
Reserve	22,500	Bank	9,000
Sundry creditors	11,250	Cash	750
	<u>86,250</u>		<u>86,250</u>

Shyam retires and the following revaluation are made:

- i) Depreciate machinery by 7.5% and stock by 15%.
- ii) A bad debts provision is raised against debtors at 5% and a discount reserve against creditors at 2%.
- iii) The goodwill of the firm is valued at ` 37,500.

Prepare revaluation A/c, partners' capital and balance sheet after Shyam's retirement.

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

Liabilities	`	Assets	`
Capital A	600	Plant and Machinery	1,475
Sundry creditors	3,900	Furniture	400
		Debtors	500
		Stock	625
		Bank	300
		B's capital	1,200
	<u>4,500</u>		<u>4,500</u>

The assets were realized as follows:

Stock ` 350, furniture ` 200, debtors ` 500 and Plant and machinery ` 700. The cost of collecting and distributing the estate amount is ` 150.

A private estate is not sufficient even to pay his private liabilities, where as in B's private estate, there is surplus of ` 50.

Prepare realization A/c, cash A/c creditors A/c capital A/c and deficiency A/c of the partners.

24. Ambassador Ltd. issued 2,000 shares of ` 100 each at a premium as 10% payable as follows:

` 25 on application, ` 35 on allotment (including premium), ` 20 on first call, ` 30 final call.

1,800 shares were applied for allotment. All the money was received with exception of first and final call on 200 shares held by Raghu. These shares were forfeited. Give journal entries and balance sheet.

25. Joseph Ltd. has an authorized capital of ` 5,00,000 divided in to 50,000 equity shares of ` 10 each. The following balance are extracted from its books for the years ended 31<sup>st</sup> December 1997.

	`		`
Equity shares capital	5,00,000	Sales	9,45,000
Bill Receivable	38,000	Carriage inwards	16,000
Plant and Machinery	1,42,000	Discount received	8,000
Premises	1,00,000	Auditor fees	12,000
Debtors	1,00,000	Salary	44,000
Cash	3,000	Travelling expenses	18,000
Bank	6,000	Purchase return	10,000
Sundry creditors	1,20,000	Carriage outward	9,000
Opening stock	2,80,000	15% bank loan	1,00,000
Purchase	7,00,000	Interest on bank loan	20,000
Wages	75,000	Factory rent	40,000
Fuel and Power	40,000	Bad debts	40,000

### Adjustment

- i) Value of stock on 31.12.1997 ` 2,30,000.
- ii) Provide 10% provision for Bad debits on debtors.
- iii) Depreciate plant and machinery @ 10%.
- iv) Unpaid wages ` 5,000 and salary ` 4,000.

Prepare Trading and profit and loss A/c for the year ended 31.12.1997 and the Balance sheet as on that date.

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