

QUESTION PAPER-8 : MARCH 2022

SECTION-A

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| <p>1. (B) ₹ 22,000</p> <p>2. (D) Divisible Loss</p> <p>3. (B) Prestige of business enterprise</p> <p>4. (B) Intangible asset</p> <p>5. (B) Liabilities of balance sheet after reconstruction</p> <p>6. (C) Profit-loss adjustment account</p> <p>7. (B) Accounting standard 26</p> <p>8. (B) Premium for goodwill</p> <p>9. (B) Old ratio</p> <p>10. (B) ₹ 4,500</p> | <p>11. (C) Two</p> <p>12. (C) 90%</p> <p>13. (C) Reserve Capital</p> <p>14. (A) Personal account</p> <p>15. (D) Efficiency</p> <p>16. (A) External analysis</p> <p>17. (A) Stock</p> <p>18. (D) All of the above</p> <p>19. (A) higher liquidity</p> <p>20. (D) Interest expense</p> |
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33.

SECTION-B

21. Goodwill is an intangible asset which shows the reputation of a firm in the market.

OR

Goodwill is the value of the reputation of a firm in respect to the profit earning capacity over and above the expected profit.

22. Reconstruction of partnership means changes in partnership due to several reasons.
23. If partnership deed is silent, interest is payable at 6% p.a. on unpaid amount payable to the retiring partner.
24. When all partners agree to dissolve the firm, it can be dissolved at any time. It is called voluntary dissolution.
25. Generally, the partnership firm itself has to bear dissolution expenses at the time of dissolution of a firm.
26. There are two types of debentures on the basis of security : (i) Secured or Mortgage Debentures (ii) Unsecured or Simple or Naked Debentures.
27. Objective of Current Ratio is to know the capacity of the business unit to pay its short term obligations (liabilities).
28. The relationship between two accounting figures expressed mathematically is known as Ratio.
29. Investing Activities means Purchase and Sale of Long Term Investments and Fixed Assets.
30. Increase/decrease of Bank Overdraft is recorded in Financing Activities.

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SECTION-C

31. Namrata's $\frac{2}{9}$ th Profit share is Rs. 30,000.

Hence, the total divisible profit = $30,000 \times \frac{9}{2} = \text{Rs. } 1,35,000.$

Manager's Commission = $1,35,000 \times 10\% = \text{Rs. } 13,500.$

32. Partner's Gain = New Share - Old Share

$$\text{Aakash} = \frac{1}{3} - \frac{3}{8} = \frac{8-9}{24} = -\frac{1}{24} \text{ (Sacrifice) me}$$

$$\text{Prakash} = \frac{1}{3} - \frac{3}{8} = \frac{8-9}{24} = -\frac{1}{24} \text{ (Sacrifice)}$$

$$\text{Vikas} = \frac{1}{3} - \frac{2}{8} = \frac{8-6}{24} = +\frac{1}{24} \text{ (Gain)}$$

33. Under the following circumstances, the court will order for dissolution of the firm on application made by any of the partner :

- (i) When any partner becomes of unsound mind.
- (ii) When a partner has become permanently incapable of performing his duties.
- (iii) When a partner is guilty of misconduct which is likely to affect business prejudicially.
- (iv) When a partner is persistently commits breach of Partnership Agreement.
- (v) When a partner has transferred whole of his interest in the firm to a third party.
- (vi) When a business can not be carried on except at a loss.
- (vii) On any other ground which appears to the court just and equitable.

34. Journal Entries : (1) 36,000 (2) (i) 35,000 (ii) 25,000; (3) 30,000

35. Journal Entries in book of Sakshi Ltd. : 1-6-16 = 21,00,000; 1-6-16 = 20,00,000; 1,00,000; 2,00,000; 31-5-'21 = 22,00,000; 22,00,000

36. Journal Entries in the books of Gajanand Ltd. : 1-4-'16 = 48,00,000; 1-4-'16 = 48,00,000; 1-4-'20 = 48,00,000; 1-4-'20 = 32,00,000; 16,00,000

SECTION-D

37. Goodwill Rs. 2,69,000 [Weighted Average Profit Rs. 89,666.67 (40,000 × 1 = 40,000 + 60,000 × 2 = 1,20,000 + 75,000 × 3 = 2,25,000 + 90,000 × 4 = 3,60,000 + 1,20,000 × 5 = 6,00,000) / 13 = 89,666.67].

$$\therefore \text{Goodwill} = 89,666.67 \times 3 = \text{Rs. } 2,69,000.$$

38. Here, the simple average profit method is to be used, as profit is increasing and decreasing every year. Simple Average Profit Rs. 1,20,000 (3,60,000 ÷ 3).

Capital Employed Rs. 8,00,000 (12,00,000 - 4,00,000), Expected Profit Rs. 80,000 (8,00,000 × 10%), Super Profit Rs. 40,000 (Average Profit Rs. 1,20,000 - Expected Profit Rs. 80,000), Goodwill Rs. 1,20,000 (Super Profit Rs. 40,000 × 3 years).

39. Increase/Decrease % : 14.29; 20.00; 15.15; 33.33; 1.08; 1.08; 1.08

40. Debtors Turnover 5 times : Average Trade Receivables Rs. 93,000 (70,000 + 20,000 = 90,000 and 50,000 + 6,000 = 56,000) ∴ Average trade receivables = 90,000 + 56,000/2 = Rs. 73,000)

$$\therefore \text{Debtors Turnover} = \frac{\text{Credit Sales}}{\text{Average Trade Receivable}} = \frac{3,65,000}{73,000} = 5 \text{ times}$$

Collection Period: In days 72 days

$$\text{(Collection Period} = 360 \text{ days/Debtors turnover} = \frac{360}{5} = 72 \text{ days),}$$

In weeks = 52 weeks / 5 = 10.4 weeks, In months 12 months/5=2.4 months.

41. Cashflow from Operating Activities Rs. 2,49,000 [Profit before taxes 1,32,000 + Non-cash Expenses, Appropriations and Provisions 1,51,000 (28,000 + 17,000 + 29,000 + 23,000 + 11,000 + 25,000 + 18,000 1,51,000) = 2,83,000 Non-operating Incomes 34,000 (12,000 + 9,000 + 13,000 = 34,000) = Cashflow from Operating Activities (Profit before changes in working capital) Rs. 2,49,000.

SECTION-E

42. Profit of Revaluation A/c Rs. 7,500 (Rs. 5,000 and Rs. 2,500), Goodwill shown in the balance sheet will be written off to the Old Partners' Capital A/cs in the ratio of 2:1 (Shiv Rs. 12,000 and Parvati Rs. 6,000), Capital A/c balances: Shiv Rs. 1,01,000, Parvati Rs. 70,500 and Nikita Rs. 1,00,000, Nikita's share of goodwill Rs. 24,000 will be credited to the old partners in their sacrifice ratio 2 : 1 (16,000 and 8,000), Closing cash balance Rs. 1,26,000, Total of Balance Sheet Rs. 3,12,600, Additional bad debts reserve Rs. 400 (2,400 - 2,000) will be debited to Revaluation A/c.
43. Loss of Revaluation A/c Rs. 6,000 (A 4,000 and B 2,000), New Partner C will get 1/12th share of profit from A and 1/6th share from B. Therefore C's Premium of Goodwill will be credited to A and B in the ratio of 1:2. New profit and loss ratio 7:2:3, C will bring Rs. 60,000 as his Capital (A 1,05,000 + B 75,000 1,80,000 \times 3/9 = 60,000), Cash balance Rs. 1,38,000, Total of = new Balance Sheet after admission Rs. 3,25,000.
44. Profit of Revaluation A/c Rs. 2,000 (Dipen Rs. 800, Umang Rs. 800 and Akash Rs. 400), Partners' Capital A/cs : Dipen Rs. 25,000 and Umang Rs. 15,000, Total of Balance Sheet after retirement Rs. 62,000, Goodwill is valued at Rs. 40,000 of which Akash's share Rs. 8,000 (40,000 \times 1/5) will be credited to his Capital A/c and will be debited to Dipen and Umang's Capital A/cs in their gain ratio i.e. 1 : 1 (Rs. 4,000 and Rs. 4,000).

SECTION-F

47. Gross Profit Rs. 41,150, Net Divisible Profit Rs. 30,270, Closing Stock Rs. 5,000, Additional depreciation on furniture Rs. 30 (3,000 + 300 = 3,300 \times 10% = 330 - Shown in the trial balance 300), Outstanding interest on HDFC Loan Rs. 900 (10,000 \times 12% \times 9/12), Capital A/c balances: Dharm Rs. 45,135 and Karm Rs. 27,635, Total of Balance Sheet Rs. 1,11,170.
48. As per the Statement of Profit and Loss for the year ending on 31-3-2021. Profit after taxes Rs. 1,20,000 [Total Incomes Rs. 7,70,000 (7,50,000 + 20,000) Total Expenses Rs. 5,70,000 (4,00,000 + 1,30,000 + 17,50) + 22,500 = 5,70,000), Profit before taxes Rs. 2,00,000 (7,70,000 - 5,70,000), Profit after taxes Rs. 1,20,000 (2,00,000 - Provision for taxation 80,000).
- Balance Sheet as on 31-3-2021 : Shareholders' Funds Rs. 6,20,000 (5,00,000 + 1,20,000), Non-Current Liabilities Rs. 3,50,000, Current Liabilities Rs. 1,80,000 (1,00,000 + 80,000); Non-Current Assets Rs. 9,40,000 (8,00,000 + 1,40,000), Current Assets Rs. 2,10,000 (1,10,000 + 40,000 + 60,000), Total of Balance Sheet Rs. 11,50,000.