

2021

Updated as per
Portion Omitted
from the
Syllabus for the
Year 2020-2021

NAVNEET PRACTICE PAPERS COMMERCE STANDARD XII

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2021

NAVNEET PRACTICE PAPERS

Based on
the Board's
New Textbooks
and Paper
Pattern

COMMERCE

STANDARD XII

Updated
as per the
portions omitted
from the syllabus
for the year
2020-21

★ **Economics** ★ **Organisation of Commerce & Management**
★ **Secretarial Practice** ★ **Book-Keeping & Accountancy**
★ **Mathematics & Statistics** + ★ **English**

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BOOK-KEEPING & ACCOUNTANCY

1. (a) Written Examination : **80 marks**
 (b) Application Based Test : **20 marks**
Total : 100 Marks

2. Unitwise Distribution of Marks :

Sr. No.	Unit/Sub-unit	Marks		Marks	
		Problem	Objective	Problem	Objective
1.	Introduction to Partnership & Partnership Final Accounts	12	04	12	04
2.	Accounts of 'Not for Profit Concern'	12	04	12	04
3.	Reconstitution of Partnership (Admission of Partner)	20	02	40	02
4.	Reconstitution of Partnership (Retirement of Partner)		02		02
5.	Dissolution of Partnership Firm		02		02
6.	Bill of Exchange		02		02
7.	Reconstitution of Partnership (Death of Partner)	16	01	32	01
8.	Company Accounts : Issue of Shares		01		01
9.	Analysis of Financial Statements		01		01
10.	Computer in Accounting		01		01
	Total	60	20	96	20
	Grand Total	80		116	

3. QUESTION PAPER PATTERN FOR 2020-21 ONLY

Q. No.	Nature of Question	Marks per Que.	No. of Que. to Attempt	Marks	
				Without Option	With Option
1.	From the following types of sub-questions any 4 will be asked.				
	(A) Select the Correct Option and Rewrite the Sentence	1	5	5	5
	(B) Give One Word/Phrase/Term	1	5	5	5
	(C) State True or False with Reasons	2 1/2	5	5	5
	(D) Find the Odd One	1	5	5	5
	(E) Complete the Sentences	1	5	5	5
	(F) Answer in One Sentence Only	1	5	5	5
	(G) Do you Agree or Disagree with the Following Statements?	1	5	5	5
	(H) Calculate the Following	1	5	5	5
	(I) Give Specimen of Bill of Exchange	5	5	5	5
	(J) Complete the Following Table	1	5	5	5
2.	Solve any one from the following : Admission of a Partner/Retirement of Partner			10	20
3.	Solve any one from the following : Dissolution of Partnership Firm/Bill of Exchange			10	20
4.	Solve any one from the following : Issue of Shares/Computer Accounting			8	16
5.	Solve any one from the following : Death of a Partner/Analysis of Financial Statements			8	16
6.	Problem On 'Not for Profit Concern'			12	24
7.	Problem On 'Partnership Final Accounts'			12	24
	Total			80	116

**NON-EVALUATIVE PORTION FOR THE ACADEMIC YEAR 2020-21
AS DECLARED ON 22-07-2020**

Sr. No.	Chapter Name	Page No.	Matter of Self Study	Remark
1.	Introducing to Partnership and Partnership Final Accounts	164	Activity Box	Extra Work
2.	Accounts of Not for Profit Concerns	124	”	”
3.	Admission of Partner	167	”	”
4.	Retirement of Partner	186	”	”
5.	Death of Partner	205	”	”
6.	Dissolution of Partnership firm	250	”	”
7.	Bills of Exchange	308	”	”
8.	Issue of Shares	343	”	”
9.	Analysis of Financial Statement	380	”	”
10.	Computer in Accounting	387 to 389	Practical Activity	”
		390	Activity Box	”
11.	Retirement of Partner	168 to 182	Self Study	Note
12.	Bills of Exchange	251 to 300	”	
13.	Analysis of Financial Statement	344 to 374	”	
14.	Computer in Accounting	381 to 386	”	

**PART
1****MODEL PRACTICE PAPER
(WITH SOLUTION AND MARKING SCHEME)****BOOK-KEEPING & ACCOUNTANCY****Time : 3 Hours]****[Max. Marks : 80****Q. 1. (A) Select the correct option and rewrite the sentence :****[5]**

(1) To find out net profit or net loss of the business, Account is prepared by the business.

(a) *Trading*

(b) *Profit and Loss*

(c) *Capital*

(d) *Current*

(2) Donation for scholarship fund is

(a) *Capital Receipt*

(b) *Revenue Receipt*

(c) *Capital Expenditure*

(d) *Revenue Expenditure*

(3) The balance of the capital account of retired partner is transferred to his account if it is not paid.

(a) *loan*

(b) *personal*

(c) *current*

(d) *relative's*

(4) Death is a compulsory

(a) *admission*

(b) *retirement*

(c) *dissolution*

(d) *winding up*

(5) The due date of the bill drawn for 2 months on 23rd November 2019 will be

(a) *23rd January, 2020*

(b) *26th January, 2020*

(c) *25th January, 2020*

(d) *27th January, 2020*

(B) Write the word/phrase/term which can substitute each of the following statements : [5]

- (1) Act under which partnership firms are regulated.
- (2) The credit balance of Income and Expenditure Account.
- (3) Reputation of business measured in terms of money.
- (4) Debit balance of an insolvent Partner's Capital Account.
- (5) Issue of shares at its face value.

(C) Complete the sentences : [5]

- (1) Partnership business must be
- (2) 'Not for profit' organisation is called organisation.
- (3) Revaluation Account is also known as Account.
- (4) Deceased Partner's Executors Account is shown on the side of Balance Sheet.
- (5) Generally, current ratio should be

(D) Answer in one sentence only : [5]

- (1) Why is partnership deed necessary?
- (2) What is Legacy?
- (3) What is meant by Retirement of Partner?
- (4) What is Gain Ratio?
- (5) State three examples of cash outflow.

Q. 2. Raj and Rashmi shared profits and losses in the ratio of 3 : 2 respectively. Their Balance Sheet as on 31st March, 2020 was as under : [10]

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Assets	Amount (₹)
Sundry Creditors	90,000	Cash at Bank	1,500
General Reserve	60,000	Sundry Debtors	1,33,500
Capital :		Stock	51,000
Raj	2,16,000	Investment	72,000
Rashmi	1,44,000	Plant	1,80,000
		Building	72,000
	5,10,000		5,10,000

They admit Hiren into partnership on 1 – 4 – 2020. The terms being that :

- (1) He shall have to bring in ₹ 1,20,000 as his Capital for 1/4 share in future profits.
- (2) Value of Goodwill of the firm is to be fixed at the average profits for the last three years.

The Profit were :

2016 – 17	₹ 96,000
2017 – 18	₹ 1,62,000
2018 – 19	₹ 1,47,000

Hiren is unable to bring the value of the Goodwill in cash. It is decided to raise the Goodwill in the books of accounts.

- (3) Reserve for doubtful debts is to be created at ₹ 3,000.
- (4) Closing stock is valued at ₹ 45,000.
- (5) Plant and Building is to be depreciated by 5%.

Prepare Profit and Loss Adjustment A/c, Capital Accounts of Partners and Balance Sheet of the new firm.

OR

Shubh, Mangal and Anand were partners sharing profits and losses in the ratio of 5 : 2 : 3. Their Balance Sheet was as follows :

[10]

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Machinery		50,000
Shubh		70,000	Building		1,00,000
Mangal		80,000	Furniture		20,000
Anand		50,000	Stock		30,000
Creditors		25,000	Debtors	36,000	
Bills Payable		12,000	Less : R.D.D.	<u>2,000</u>	34,000
General Reserve		25,000	Bank		28,000
		<u>2,62,000</u>			<u>2,62,000</u>

Mangal retired on that date on the following terms :

- (1) Machinery is to be depreciated by 10% and Furniture by 20%.
- (2) Stock is to be appreciated by 10% and Building by 20%.
- (3) R.D.D. is no longer necessary.
- (4) Provision is to be made for ₹ 8000 being compensation to workers.
- (5) The goodwill of the firm is to be valued at ₹ 40,000 and Mangal's share in it should be raised.

(6) Both the remaining partners decided to write off the goodwill.

(7) Amount payable to Mangal is to be kept as his Loan.

Prepare : (1) Profit and Loss Adjustment Account (2) Partners' Capital Accounts

(3) New Balance Sheet.

Q. 3. Kalpana and Bela were partners sharing profits and losses in the ratio of 3 : 2.

Their Balance Sheet as on 31st March, 2019 was as follows :

[10]

Balance Sheet as on 31st March, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts :		Building	14,000
Kalpana	20,000	Plant	18,000
Bela	12,000	Debtors	28,000
Current Accounts :		Stock	10,000
Kalpana	6,000	Bank	12,000
Bela	4,000		
Creditors	34,800		
Bills Payable	5,200		
	82,000		82,000

The firm was dissolved on the above date and the assets realised as under :

(1) Plant ₹ 16,000, Building ₹ 12,000, Stock ₹ 8,000 and Debtors ₹ 24,000.

(2) Kalpana agreed to pay off the Bills Payable.

(3) Creditors were paid in full.

(4) Dissolution expenses were ₹ 2,800.

Prepare : Realisation A/c, Partners' Current A/c, Partners' Capital A/c and Bank A/c.

OR

Parth draws a bill for ₹ 2,00,000 on Prihaan for 4 months period. The bill is duly accepted and returned to Parth. One month after the date, Parth discounted the bill with bank @ 18 % p.a.

On the due date, Prihaan dishonoured his acceptance. Bank paid noting charges ₹ 4,500. Prihaan requested Parth to renew the bill for further period of 2 months. Parth agreed and took the bill back from bank and received new acceptance for 40 % amount of the bill with full amount of noting charges and cheque for 60 % balance plus interest @ 12 % p.a.

Write Journal of Parth and Prihaan for the above bill transactions.

Q. 4. Vraj Ltd. issued 40,000 equity shares of ₹ 20 each payable as follows :

On Allotment : ₹ 6

On Second Call : ₹ 4

The company received applications for 50,000 equity shares. Allotment of shares was made on pro-rata basis. Share allotment and calls were made and as also received except Ravi holding 1000 shares failed to pay both the calls. His shares were forfeited after second call.

Record the above transactions in the books of Vraj Ltd.

OR

Explain sourcing of Accounting Software.

Q. 5. The following is the Balance Sheet of Shikha, Divit and Naman, who were partners sharing profits and losses in the ratio of 2 : 2 : 1.

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Investments		1,40,000
Shikha	80,000		Stock		48,000
Divit	60,000		Debtors	81,600	
Naman	<u>80,000</u>	2,20,000	Less : R.D.D.	<u>1,600</u>	80,000
Creditors		48,000	Cash		12,000
Outstanding Salaries		12,000			
		<u>2,80,000</u>			<u>2,80,000</u>

Naman died on 1st July, 2020 and the following adjustments were made in the books of the firm :

- (1) All debtors were considered as good and the Reserve for Doubtful Debts was no longer necessary.
- (2) A contingent liability for compensation of ₹ 3,600 was to be provided.
- (3) Investments worth ₹ 80,000 were taken over by the executor of Naman and the remaining investments were sold for ₹ 60,000.
- (4) Stock was revalued at ₹ 60,000.
- (5) The goodwill of the firm was valued at ₹ 40,000 and was to be shown in the books.
- (6) The deceased partner's share in profit up to the date of his death was to be calculated on the basis of the preceding year's profit which was ₹ 32,000.

Prepare the Profit and Loss Adjustment Account, Capital Accounts of Partners and the Balance Sheet of the new firm after the death of Naman.

OR

Following is the Balance Sheet of Mahi Traders for the year ended 31 – 3 – 2018 and 31 – 3 – 2019 :

[08]

Liabilities	31-03-2018 (₹)	31-03-2019 (₹)	Assets	31-03-2018 (₹)	31-03-2019 (₹)
Equity Share Capital	1,60,000	1,60,000	Fixed Assets	2,40,000	2,88,000
Pref. Shares Capital	40,000	40,000	Investment	40,000	40,000
Reserve and Surplus	40,000	48,000	Current Assets	1,20,000	96,000
Secured Loan	80,000	32,000			
Unsecured Loan	40,000	72,000			
Current Liabilities	40,000	72,000			
	4,00,000	4,24,000		4,00,000	4,24,000

Prepare Common Size Balance Sheet for the year 31 – 03 – 2018 and 31 – 03 – 2019.

- Q. 6.** Following is the Balance Sheet on 1st April, 2019 and Receipts and Payments Account of M. J. Library. You are required to prepare Income and Expenditure Account of the year ended 31st March, 2020 and Balance Sheet as on that date. [12]

Balance Sheet as on 1st April, 2019

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Fund	15,00,000	Furniture	1,00,000
Subscription Received in Advance	6,000	Books	13,01,000
Outstanding Expenses	4,000	Stock of Postage Stamps	1,000
		Investments in Shares	14,000
		Cash in Hand	94,000
	15,10,000		15,10,000

Receipts and Payments Account for the year ended 31st March, 2020

Dr.

Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d – Cash	94,000	By Salaries	48,000
To Members Subscription	3,60,000	By Purchase of Postage Stamps	3,000
To Entrance Fees	60,000	By Books (Purchased on 1-10-19)	2,00,000
To Hire of Lecture Hall	24,000	By Outstanding Expenses Paid	4,000
To Interest on Shares	10,000	By Investments in Fixed Deposit	1,00,000
To Life Members Fee	20,000	By Furniture	60,000
		(Purchases on 1-7-2019)	
		By Printing and Stationery	12,000
		By Rent	36,000
		By Balance C/d – Cash	1,05,000
	5,68,000		5,68,000

Adjustments :

- (1) Depreciation on Books at 10% p.a.
- (2) Depreciation on Furniture at 8.5% p.a.
- (3) 50% Entrance fees and whole amount of Life Membership Fees should be capitalised.
- (4) Library had 2,000 members paying Subscription ₹ 200 each.
- (5) The value of unused Postage Stamps was ₹ 400.

Q. 7. Kavya and Bhavya are partners, sharing profits and losses in the ratio 3 : 2. From the following Trial Balance and adjustments, prepare : Trading and Profit and Loss Account for the year ending and Balance Sheet as on that date. [12]

Trial Balance as on 31st March, 2020

Particulars	Debit Amount (₹)	Credit Amount (₹)
Capital :		
Kavya		7,50,000
Bhavya		5,00,000
Sundry Debtors	2,25,000	
Sundry Creditors		1,50,000
Rent (10 months)	5,000	
Opening Stock	2,67,750	
Building	4,25,000	
Salaries	25,000	
Commission	400	475
Vehicles	1,85,000	
Sales		4,20,250
Purchases	3,20,250	
Wages	5,000	
Office Expenses	10,000	
Bank Overdraft		75,000
Goods Returns	2,750	1,750
Provident Fund Investment	4,00,000	
Cash in Hand	20,000	
Provident Fund Contribution	50,000	
Provident Fund		1,40,000
Cash at Bank	1,00,000	
Interest on P.F. Investment		21,000
Drawings :		
Kavya	10,000	
Bhavya	7,500	
Bad-debts	1,675	
R.D.D		1,850
Total	20,60,325	20,60,325

Adjustments :

- (1) Closing Stock ₹ 1,80,000.
- (2) Outstanding wages ₹ 1,500 and Salaries ₹ 1,000
- (3) Depreciate Vehicles @ 5% p.a.
- (4) Write off Bad debts of ₹ 2,500 and provide for R.D.D at 5% Sundry Debtors.
- (5) Bhavya withdrew Goods of ₹ 3,000 for her personal use.

SOLUTION : MODEL PRACTICE PAPER

प्र. क्र.
Q. No.

1 (A)

Note : Question 1 is an objective question. In this question, 4 sub-questions carrying 5 marks each, out of the following will be set : Select the Correct Option and Rewrite the Answer. Give One Word/Phrase/Term, State True or False with Reasons, Find the Odd One, Complete the Sentences, Answer in One Sentence Only, Do You Agree or Disagree with the Following Statements?, Calculate the Following, Complete the Following Table, etc.

Note : In this sub-question, 5 statements from different chapters will be given. Fill in by selecting most appropriate answer from 4 alternatives given below each statement. Write complete statement with the selected alternative. Underline the word filled in. Do not change the order of statements.

- (1) To find out net profit or net loss of the business, Profit and Loss Account is prepared by the business.
- (2) Donation for scholarship fund is Capital Receipt.
- (3) The balance of the capital account of retired partner is transferred to his loan account if it is not paid.
- (4) Death is a compulsory retirement.
- (5) The due date of the bill drawn for 2 months on 23rd November, 2019 will be 25th January, 2020.

1 (B)

Note : In this sub-question, 5 statements from different chapters will be asked. Write correct word/phrase/term. Do not change the order of the statements.

- (1) Indian Partnership Act.
- (2) Surplus/Excess of income over expenditure
- (3) Goodwill
- (4) Capital Deficiency
- (5) Issue at Par

1 (C)

Note : In this sub-question, 5 sentences from different chapters will be asked. Complete the sentence by filling in the gap with correct answer. Underline the word filled in. Do not change the order of the statement.

- (1) Partnership business must be lawful.
- (2) 'Not for Profit' organisation is called service organisation.
- (3) Revaluation Account is also known as Profit and Loss Adjustment Account.
- (4) Deceased Partner's Executor's Account is shown on the Liabilities side of Balance Sheet.
- (5) Generally, current ratio should be 2 : 1.

1 (D)

Note : In this sub-question, 5 questions carrying 1 mark each from different chapters will be asked. Write answer to each question in one complete sentence only. Avoid writing more than one sentence. Do not change the order of the question.

- (1) Partnership deed is necessary to prevent disputes or misunderstandings among the partners in future.
- (2) Any asset, property or amount of cash which 'Not for Profit' concerns receives as per the provisions made in the will of the donor after his death is called 'Legacy.'
- (3) Retirement of a partner refers to a process in which a partner leaves the firm or severs his relations with other partners on account of his old age, continued ill health, loss of interest in the firm, misunderstanding amongst the partners, etc.
- (4) Profit sharing ratio which is acquired by the surviving or continuing partners on account of death of any partner is called Gain Ratio.
- (5) Examples of cash outflows are : (1) Interest paid (2) Loss on sale of asset (3) Dividend paid (4) Repayment of short term borrowings.

Note : In this question, practical questions form Admission of a Partner or Retirement of a Partner will be set each carrying 10 marks. You are expected to attempt any one out of the two questions. However, we have given solution of both the questions. In these type of problems, the students are expected to prepare Journal and Balance Sheet or Ledger Accounts such as Profit and Loss Adjustment Account, Partners' Capital Accounts, etc. Working notes are also required to be given to support your answer.

In the books of the Partnership firm

Dr. Profit and Loss Adjustment Account Cr.			
Particulars	Amount	Particulars	Amount
	(₹)		(₹)
To R.D.D. (New) A/c	3,000	By Loss on Revaluation	
To Stock A/c	6,000	Transferred to Partners'	
To Depreciation A/cs :		Capital A/cs :	
Plant 9,000		Raj 12,960	
Building 3,600	12,600	Rashmi 8,640	21,600
	21,600		21,600

Dr. Partners' Capital Accounts Cr.							
Particulars	Raj	Rashmi	Hiren	Particulars	Raj	Rashmi	Hiren
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Profit and Loss				By Balance b/d	2,16,000	1,44,000	–
Adjustment				By Cash/Bank A/c	–	–	1,20,000
A/c (Loss)	12,960	8,640	–	By Goodwill A/c	81,000	54,000	–
To Balance c/d	3,20,040	2,13,360	1,20,000	By General			
				Reserve A/c	36,000	24,000	–
	3,33,000	2,22,000	1,20,000		3,33,000	2,22,000	1,20,000

Balance Sheet as on 1st April, 2020

Liabilities	Amount	Amount	Assets	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
Capital A/cs :			Cash		1,21,500
Raj	3,20,040		Sundry Debtors	1,33,500	
Rashmi	2,13,360		Less : R.D.D. (New)	3,000	1,30,500
Hiren	1,20,000	6,53,400	Stock	51,000	
Sundry Creditors		90,000	Less : Depreciation	6,000	45,000
			Investments		72,000
			Plant	1,80,000	
			Less : Depreciation	9,000	1,71,000
			Building	72,000	
			Less : Depreciation	3,600	68,400
			Goodwill		1,35,000
		7,43,400			7,43,400

Working Notes :

$$(1) \text{ Average Profit} = \frac{\text{Total Profit}}{\text{No. of years}}$$

$$= \frac{96000 + 162000 + 147000}{3}$$

$$= ₹ 1,35,000 \quad \therefore \text{Goodwill value} = ₹ 1,35,000$$

$$\text{Raj's share in Goodwill} = ₹ 81,000 \left(1,35,000 \times \frac{3}{5} \right)$$

$$\text{Rashmi's share in Goodwill} = ₹ 54,000 \left(1,35,000 \times \frac{2}{5} \right)$$

(2) Hiren is not able to bring share in goodwill and it is decided to raise the goodwill in the book.

Therefore, Goodwill is recorded in the Asset side ₹ 1,35,000.

OR

In the books of partnership firm

Dr. Profit and Loss Adjustment Account Cr.

Particulars	Amount	Amount	Particulars	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
To Machinery A/c		5,000	By Stock A/c		3,000
To Furniture A/c		4,000	By Building A/c		20,000
To Provision for			By R.D.D. A/c		2,000
Compensation to			(Cancelled)		
Workers' A/c		8,000			
To Partners' Capital					
A/cs : (Profit)					
Shubh	4,000				
Mangal	1,600				
Anand	2,400	8,000			
		25,000			25,000

Dr. Partners' Capital Accounts Cr.

Particulars	Shubh	Mangal	Anand	Particulars	Shubh	Mangal	Anand
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Goodwill A/c	5,000	–	3,000	By Balance b/d	70,000	80,000	50,000
(Written off)				By General			
To Mangal's Loan	–	94,600	–	Reserve A/c	12,500	5,000	7,500
A/c				By Profit and Loss			
To Balance c/d	81,500	–	56,900	Adjustment A/c	4,000	1,600	2,400
				By Goodwill A/c	–	8,000	–
				(Raised)			
	86,500	94,600	59,900		86,500	94,600	59,900

Balance Sheet as on 1st April, 2020

Liabilities	Amount	Amount	Assets	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
Partners' Capital A/cs :			Building	1,00,000	
Shubh	81,500		Add : Appreciation		
Anand	56,900	1,38,400	@ 20%	20,000	1,20,000
Mangal's Loan A/c		94,600	Machinery	50,000	
Creditors		25,000	Less : Depreciation		
Bills Payable		12,000	@ 10%	5,000	45,000
Provision for			Furniture	20,000	
Compensation to			Less : Depreciation		
Workers		8,000	@ 20%	4,000	16,000
			Stock	30,000	
			Add : Appreciation		
			@ 10%	3,000	33,000
			Debtors		36,000
			Bank		28,000
		2,78,000			2,78,000

Working Notes :

(1) Mangal's share in firm's Goodwill = $\frac{2}{10} \times 40,000 = ₹ 8,000$.

Goodwill to the extent of ₹ 8,000 is credited to Mangal's A/c and then debited to Shubh's Capital A/c and Anand's Capital A/c in their gain ratio which is equal to new ratio i.e. 5 : 3. Hence, Goodwill debited to Shubh's Capital A/c = $\frac{5}{8} \times 8,000 = ₹ 5,000$ and Anand's A/c = $\frac{3}{8} \times 8,000 = ₹ 3,000$.

(2) Provision for compensation to workers ₹ 8,000 is first debited to Profit and Loss Adjustment A/c (as new liability is created) and then it is shown on the Liabilities side of new Balance Sheet.

(3) The cancelled R.D.D. ₹ 2,000 is credited to Profit and Loss Adjustment A/c and Debtors to the extent of ₹ 36,000 are shown on the Assets side of Balance Sheet.

Note : In this question, there will be two problems carrying 10 marks each, out of which students are expected to attempt any one. However, we have given solution of both the problems. The first problem will be on Dissolution of Partnership Firm and the second problem will be on Bills of Exchange.

Note : For the question on Dissolution of Partnership Firm, students are expected to prepare Journal Entries or Ledger Accounts such as Realisation Account, Partners' Capital Accounts and Cash Account or Bank Account. In case of insolvency of all partners, additional account called Deficiency Account is also required to be prepared. In such case, external liabilities such as Sundry Creditors, Bank Loan, Bills Payable, etc. are not transferred to Realisation Account. They are dealt with separately.

In the books of Kalpana and Bela

Dr.		Realisation Account		Cr.	
Particulars	Amount	Amount	Particulars	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
To Sundry Assets A/c			By Sundry Liabilities A/c		
Building	14,000		Creditors	34,800	
Plant	18,000		Bills Payable	5,200	40,000
Debtors	28,000		By Bank A/c		
Stock	10,000	70,000	Plant	16,000	
To Kalpana's Current A/c			Building	12,000	
Bills Payable		5,200	Stock	8,000	
To Bank A/c			Debtors	24,000	60,000
Dissolution Expense	2,800		By Partners' Current A/c		
Creditors	34,800	37,600	(Loss on Realisation transferred)		
			Kalpana	7,680	
			Bela	5,120	12,800
		1,12,800			1,12,800

Dr. Partners' Current Account Cr.					
Particulars	Kalpana	Bela	Particulars	Kalpana	Bela
	(₹)	(₹)		(₹)	(₹)
To Realisation A/c – Loss	7,680	5,120	By Balance b/d	6,000	4,000
To Partners' Capital A/c	3,520	–	By Bills Payable A/c	5,200	–
			By Partners' Capital A/c	–	1,120
	11,200	5,120		11,200	5,120

Dr. Partners' Capital Account Cr.					
Particulars	Kalpana	Bela	Particulars	Kalpana	Bela
	(₹)	(₹)		(₹)	(₹)
To Partner's Current A/c	–	1,120	By Balance c/d	20,000	12,000
To Bank A/c	23,520	10,880	By Partner's Current A/c	3,520	–
	23,520	12,000		23,520	12,000

Dr. Bank Account Cr.			
Particulars	Amount	Particulars	Amount
	(₹)		(₹)
To Balance b/d	12,000	By Realisation A/c	37,600
To Realisation A/c (Assets)	60,000	(Exp. and Liabilities)	
		By Kalpana's Capital A/c	23,520
		By Bela's Capital A/c	10,880
	72,000		72,000

Note : This question can be related to either Renewal of Bills of Exchange or one transaction related to one drawer and multiple drawees. Students are expected to prepare Journal Entries and sometimes Ledger Accounts either in the books of drawer or in the books of drawee. Working notes are required to support the answers. In journal entries, narration is required to be given.

In the books of Parth
Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bills Receivable A/c Dr. To Prihaan's A/c (Being acceptance received from Prihaan for 4 months period)		2,00,000	2,00,000
2	Cash/Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c (Being bill discounted with the bank for unexpired period of 3 months)		1,91,000 9,000	2,00,000
3	Prihaan's A/c Dr. To Cash / Bank A/c (Being entry passed for dishonour of the bill)		2,00,000	2,00,000
4	Prihaan's A/c Dr. To Cash / Bank A/c (Being noting charges paid and adjusted to Prihaan's A/c)		4,500	4,500
5	Prihaan's A/c Dr. To Interest A/c (Being interest due on balance amount from Prihaan)		1,690	1,690

6	Bank A/c Dr.	1,21,690	
	To Prihaan's A/c		1,21,690
	(Being part payment along with interest due on balance amount received)		
7	Bills Receivable A/c Dr.	84,500	
	To Prihaan's A/c		84,500
	(Being new acceptance received for balance due plus noting charges)		

In the books of Prihaan

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Debit Amount (₹)
1	Bela's A/c Dr.		2,00,000	
	To Bills Payable A/c			2,00,000
	(Being acceptance given to Bela)			
2	Bills Payable A/c Dr.		2,00,000	
	To Bela's A/c			2,00,000
	(Being entry passed for dishonour of the bill)			
3	Noting Charges A/c Dr.		4,500	
	To Bela's A/c			4,500
	(Being noting charges due to Bela)			
4	Interest A/c Dr.		1,690	
	To Bela's A/c			1,690
	(Being interest due on balance amount)			
5	Bela's A/c Dr.		1,21,690	
	To Bank A/c			1,21,690
	(Being part payment along with interest due paid to Bela)			

6	Bela's A/c	Dr.	84,500	
	To Bills Payable A/c			84,500
	(Being acceptance given to Bela)			

Working Notes :

(1) Discount charged by the bank on discounting 1st bill = $2,00,000 \times \frac{3}{12} \times \frac{18}{100}$ (Period of bill is 4 months, but it is discounted 1 month later) = ₹ 9,000.

(2) Amount paid by Prihaan to Bela in Part payment = 60 % of Bill amount = 60 % of 2,00,000 = ₹ 1,20,000.

(3) Balance amount still due from Prihaan to Bela = 40 % of Bill amount = 40 % of 2,00,000 = ₹ 80,000.

(4) Interest is to be calculated on total amount due from Prihaan
= Balance due + Unpaid amount noting charges
= 80,000 + 4,500 = ₹ 84,500.

Interest due = Balance amount × Unexpired period × Rate of interest
= $84,500 \times \frac{2}{12} \times \frac{12}{100}$ = ₹ 1,690.

(5) Amount paid by Prihaan to Bela = 1,20,000 + 1,690 = ₹ 1,21,690.

Note : This question is related to Company Accounts : Issue of Shares by a Company. In the answer to this question, you are expected to prepare Journal Entries in the books of Joint Stock Company. In some cases, you may be asked to show relevant extracts in Balance Sheet. In journal entries, narration is required to be written.

Journal Entries in the books of Vraj Limited

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bank A/c Dr. To Equity Share Application A/c (Being application money ₹ 4 per share received on 50,000 equity shares)		2,00,000	2,00,000
2	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Being share application money transferred to Share Capital A/c and Share Allotment A/c)		2,00,000	1,60,000 40,000
3	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Being allotment money ₹ 6 per share due on 40,000 equity shares)		2,40,000	2,40,000
4	Bank A/c Dr. To Equity Share Allotment A/c (Being allotment money received from shareholders)		2,00,000	2,00,000
5	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Being first call money ₹ 6 per share due on 40,000 equity shares)		2,40,000	2,40,000

6	Bank A/c Dr.	2,34,000	
	To Equity Share First Call A/c		2,34,000
	(Being first call money received on all the equity shares except 1000 shares held by Raja)		
7	Equity Share Second Call A/c Dr.	1,60,000	
	To Equity Share Capital A/c		1,60,000
	(Being second call money ₹ 4 per share due on 40,000 equity shares)		
8	Bank A/c Dr.	1,56,000	
	To Equity Share Second Call A/c		1,56,000
	(Being second call money received on all shares except 1000 shares held by Ravi)		
9	Share Capital A/c Dr.	20,000	
	To Equity Shares First Call A/c		6,000
	To Equity Shares Second Call A/c		4,000
	To Share Forfeiture A/c		10,000
	(Being 1000 equity shares forfeited for non-payment of 1st and 2nd calls)		

OR

Note : This is theory question. A question from Computer in Accounting will be asked. Write the proper explanation for the given question.

Sourcing of Accounting Software :

Before acquiring accounting software, expertise of people responsible in business for accounting work is to be considered, as people are responsible for accounting and not the computers.

The choice of the accounting software would depend upon the suitability to the organisation or firm, in terms of accounting and financial needs. From this perspective available accounting packages are classified into the following categories :

- (a) Ready to use
- (b) Customised
- (c) Tailored
- (d) Free and Open Source

(a) Ready to use : Ready to use software is suitable and developed for the need of organisation or firm whose volume of accounting transactions are less. Ready to use software is cost effective and relatively easier to learn. Such software have many features and low level of secrecy. This kind of the software may not have linkage benefits.

(b) Customised : As per the need of the special requirements of customer, when accounting software is developed, it is known as Customised software, which is suitable for large and medium size businesses. Customisation includes modification and addition to the software contents, provision for the specified number of users and other authentication, etc. The cost of training and installation and maintenance of customised software is relatively high. Customised software can be linked to the other information system with proper level of secrecy.

(c) Tailored : When software are designed and developed according to the need of a customer with multi-users facility and geographically scattered locations, it is known as Tailored Software. This kind of the software form an important part of organisational Management Information System (MIS). The Secrecy and authenticity checks are most important things in such software. This software needs specialised training to the users and they offer high flexibility in terms of number of users.

(d) Free and Open Source : When small business or firm wants to use accounting software but do not have enough budget, then they try to get it from open source software available on the internet, which can be downloaded and installed from the websites.



Note : In this question, 2 practical problems from the topics, Reconstitution of Partnership (Death of Partner) and Analysis of Financial Statements carrying 8 marks each will be set. Students are expected to attempt any one out of the two problems. However, we have given solution to both the problems. In the practical problem of Death of Partner, students are expected to prepare Profit and Loss Adjustment Account, Separate Account of Partner who died, Partner's Capital Accounts and a Balance Sheet. In the practical problem of Analysis of financial statement, students are expected to prepare comparative Balance Sheet/Income Statement, common size Balance Sheet/Income Statement, cashflow or Accounting ratio. Students should show working notes to support their answer.

In the books of Partnership Firm

Dr.			Cr.		
Profit and Loss Adjustment Account					
Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Provision for			By R.D.D. A/c		1,600
contingent liability		3,600	(R.D.D. cancelled)		
To Partners' Capital A/cs :			By Stock A/c		12,000
(Profit)			(Appreciation)		
Shikha	4,000				
Divit	4,000				
Naman	2,000	10,000			
		13,600			13,600

Dr. Partners' Capital Accounts Cr.

Particulars	Shikha (₹)	Divit (₹)	Naman (₹)	Particulars	Shikha (₹)	Divit (₹)	Naman (₹)
To Investments A/cs (Taken over)	—	—	80,000	By Balance b/d	80,000	60,000	80,000
To Naman's Executor's Loan A/c (Transfer)	—	—	11,600	By Goodwill A/c (Raised)	16,000	16,000	8,000
To Balance c/d	1,00,000	80,000	—	By Profit and Loss			
				Suspense A/c	—	—	1,600
				(Share in accrued profit)			
				By Profit and Loss			
				Adjustment A/c (Profit)	4,000	4,000	2,000
	1,00,000	80,000	91,600		1,00,000	80,000	91,600

Balance Sheet as on 1st July, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital A/cs :			Goodwill		40,000
Shikha	1,00,000		Debtors		81,600
Divit	80,000	1,80,000	Stock		60,000
Naman's Executor's Loan A/c		11,600	Cash		72,000
Creditors		48,000	Profit and Loss		
Outstanding Salaries		12,000	Suspense A/c		1,600
Provision for Contingent Liability for Compensation		3,600			
		2,55,200			2,55,200

Working Notes :

(1) Goodwill valued at ₹ 40,000 is debited to Goodwill A/c and credited to all Partners' Capital A/cs in their profit sharing ratio. Show balance in the Goodwill A/c then transfer to the Assets side of the Balance Sheet.

(2) The deceased partner's (Naman) share in profit up to the date of his death

$$= (\text{Preceding year's profit}) \times (\text{Proportionate profit}) \times$$

Naman's share in profit

$$= 32,000 \times \frac{3}{12} \times \frac{1}{5} = ₹ 1,600.$$

(3) A provision for contingent liability for compensation ₹ 3,600 is debited to Profit and Loss Adjustment A/c and then shown at the Liabilities side of the Balance Sheet.

(4) The following ledger accounts are prepared to ascertain their closing balances :

Dr.		Investments A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	1,40,000	By Naman's			
		Executor's			
		A/c	80,000		
		By Cash A/c	60,000		
	1,40,000		1,40,000		

Dr.		Cash A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	12,000	By Balance c/d	72,000		
To Investments A/c	60,000				
	72,000		72,000		

OR

Common Size Statement of Balance Sheet of Mahi Traders as on
31st March, 2018 and 31st March, 2019

Particulars	Amount (₹)		% to total of Balance Sheet	
	31-03-2018	31-03-2019	31-03-2018	31-03-2019
	(₹)	(₹)	(₹)	(₹)
I. Sources of Funds :				
(1) Owner's Equity :				
Equity Share Capital	1,60,000	1,60,000	44.45	45.45
Preference				
Shares Capital	40,000	40,000	11.11	11.36
Reserve and Surplus	40,000	48,000	11.11	13.64
Net Worth	2,40,000	2,48,000	66.67	70.45
(2) Borrowed Funds :				
Secured Loans	80,000	32,000	22.22	9.09
Unsecured Loans	40,000	72,000	11.11	20.46
	1,20,000	1,04,000	33.33	29.55
Total Borrowed Funds	3,60,000	3,52,000	100	100
II. Application of Funds :				
(1) Fixed Assets	2,40,000	2,88,000	66.67	81.82
(2) Investments	40,000	40,000	11.11	11.36
	2,80,000	3,28,000	77.78	93.18
(3) Working Capital :				
(A) Current Assets	1,20,000	96,000	33.33	27.27
Less : (B) Current				
Liabilities	40,000	72,000	11.11	20.45
	80,000	24,000	22.22	6.82
Total Funds Applied	3,60,000	3,52,000	100	100

Note : Taking Total borrowed funds and Total Funds applied as base (100),
Calculation is done.

e.g. % to total of Balance sheet

$$= \frac{\text{Value of equity share capital}}{\text{Total borrowed funds}} \times 100$$

$$= \frac{1,60,000}{3,60,000} \times 100$$

$$\cong 44.45\%$$

Similarly other calculations can be done.



Note : This is a compulsory practical problem set on Accounts for 'Not for Profit Concern.' In the answer, Income and Expenditure Account and Balance Sheet of Not for Profit Concern are required to be prepared on the basis of Receipt and Payment Account and some adjustments. On the debit side of Income and Expenditure A/c, only revenue expenditures and on the credit side only revenue incomes are to be shown. Give proper accounting treatment for outstanding and pre-received subscriptions, outstanding expenses, capitalisation of incomes, depreciation on fixed assets, etc. Balance Sheet is to be prepared on the same line as you prepare in partnership final accounts.

**In the Book of M. J. Library,
Income & Expenditure Account
for the year ended 31st March, 2020**

Dr.			Cr.		
Expenditure	Amount	Amount	Income	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
To Salaries		48,000	By Members		
To Postage Stamps			Subscription	3,60,000	
Opening Stock	1,000		Add : Subscription		
Add : Purchases	3,000		received in advance	6,000	
	4,000		Add : O/s Subscription	34,000	4,00,000
Less : Closing Stock	400	3,600	By Entrance Fees	60,000	
To Printing & Stationery		12,000	Less : 50% Capitalised	30,000	30,000
To Rent		36,000	By Hire of Lecture Hall		24,000
To Depreciation on :			By Interest on Shares		10,000
Books	1,40,100				
Furniture	12,325	1,52,425			
To Surplus (Excess of					
income over expenditure)		2,11,975			
		4,64,000			4,64,000

Balance Sheet as on 31st March, 2020

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Fund	15,00,000		Cash in Hand		1,05,000
Add : 50% Entrance fees	30,000		Furniture	1,00,000	
Life Membership Fees	20,000		Add : Purchase	60,000	
Surplus	2,11,975	17,61,975	Less : 8.5% Depreciation	12,325	1,47,675
			Books	13,01,000	
			Add : Purchases	2,00,000	
				15,01,000	
			Less : Depreciation	1,40,100	13,60,900
			Stock of Postage		
			Stamps		400
			Investment in Shares		14,000
			Investment in Fixed Deposit		1,00,000
			O/s Subscription		34,000
		17,61,975			17,61,975

Working notes :

(1) Depreciation on books :

$$\text{Opening balance} \rightarrow 13,01,000 \times \frac{10}{100} = ₹ 1,30,100$$

Add : Books purchased on 1-10-2019

$$(\text{for 6 months}) 2,00,000 \times \frac{10}{100} \times \frac{6}{12} = ₹ 10,000$$

$$\text{Total Depreciation} = ₹ 1,40,100$$

(2) Depreciation on Furniture :

$$\text{Opening balance} \rightarrow 1,00,000 \times \frac{8.5}{100} = ₹ 8,500$$

Add : Furniture purchased on 1-7-2019

$$(\text{for 9 months}) 60,000 \times \frac{9}{12} \times \frac{8.5}{100} = ₹ 3,825$$

$$\therefore \text{Total Depreciation} = ₹ 12,325$$

(3) There are 2000 members of library paying ₹ 200 each means

total subscription should be ₹ 4,00,000

Subscription received during the year	₹ 3,60,000
---------------------------------------	------------

Subscription received in advance in previous year	₹ 6,000
---------------------------------------------------	---------

Outstanding subscription of the current year	₹ 34,000
----------------------------------------------	----------

(4,00,000 - 3,60,000 - 6000 = ₹ 34,000)	<u>₹ 4,00,000</u>
-----------------------------------------	-------------------

(4) Outstanding expenses shown in the opening balance sheet and amount is paid during the year, so no entry in the closing balance sheet for o/s expenses.



Note : This is a compulsory problem on Partnership Final Accounts. In this problem, tallied trial balance with 5 to 6 adjustments are given. Considering both, students are expected to prepare Trading A/c, Profit and Loss A/c and Balance Sheet. Partners' Capital Accounts or Current Accounts may be prepared separately or they may be incorporated on the Liabilities side of Balance Sheet. Note that Profit and Loss Appropriation Account is not expected. Give single effect (i.e. make entry at one place only) for each balance provided in the trial balance and give at least two effects for each item given in the adjustments. Marks for correct postings are allotted. First complete posting of accounting balances, items and adjustments. Then, in end do the totalling and balancing.

The following adjustments are frequently asked :

- (1) Closing stock. (2) Outstanding and prepaid expenses. (3) Bad debts and R.D.D. (4) Depreciation on fixed assets. (5) Unrecorded sales or purchases. (6) Loss of insured or uninsured goods by fire or theft. (7) Interest on capital and interest drawings. (8) Goods withdrawn by the partner for self use. (8) Interest on drawings is to be calculated for average period of 6 months if actual dates of drawings are not given.



In the Books of Kavya and Bhavya
Trading & Profit & Loss Account
For the year ended 31st March, 2020

Dr.			Cr.		
Particulars	Amount	Amount	Particulars	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
To Opening Stock		2,67,750	By Sales	4,20,250	
To Purchases	3,20,250		Less : Goods Return	2,750	4,17,500
Less – Goods Return	1,750	3,18,500	By Goods Withdrawn by		
To Wages	5,000		Bhavya for Personal Use		3,000
Add : Outstanding Wages	1,500	6,500	By Closing Stock		1,80,000
To Gross Profit c/d		7,750			
		6,00,500			6,00,500
To Salaries	25,000		By Gross Profit b/d		7,750
Add : Outstanding	1,000	26,000	By Commission		475
To Depreciation on			By Net Loss		
Vehicles		9,250	(Transferred to		
To Bad debts (Old)	1,675		Capital A/c)		
Add : Bad debts (New)	2,500		Kavya	64,125	
Add : New R.D.D.	11,125		Bhavya	42,750	1,06,875
	15,300				
Less : R.D.D. (Old)	1,850	13,450			
To Rent	5,000				
Add : Outstanding Rent	1,000	6,000			
To Commission		400			
To Office Expenses		10,000			
To Provident Fund					
Contribution		50,000			
		1,15,100			1,15,100

Balance Sheet as on 31st March, 2020

Liabilities	Amount	Amount	Assets	Amount	Amount
	(₹)	(₹)		(₹)	(₹)
Capital : Kavya	7,50,000		Vehicles	1,85,000	
Less : Net Loss	64,125		Less : Depreciation 5%	9,250	1,75,750
	6,85,875		Sundry Debtors	2,25,000	
Less : Drawings	10,000	6,75,875	Less : Bad-debts	2,500	
Capital : Bhavya	5,00,000			2,22,500	
Less – Net Loss	42,750		Less – R.D.D. 5%	11,125	2,11,375
	4,57,250		Building		4,25,000
Less : Drawings	10,500	4,46,750	Provident Fund		
(7,500 + 3,000)			Investment		4,00,000
Sundry Creditors		1,50,000	Cash in Hand		20,000
Outstanding Expenses			Cash at Bank		1,00,000
Wages	1,500		Closing Stock		1,80,000
Salaries	1,000				
Rent	1,000	3,500			
Bank Overdraft		75,000			
Provident Fund	1,40,000				
Add : Interest on					
Provident Fund		1,61,000			
Investment	21,000				
		15,12,125			15,12,125

Working Notes :

(1) Rent (10 months) is paid i.e. 2 months rent is outstanding

For 10 months \rightarrow ₹ 5,000

\therefore 2 months \rightarrow (?)

$$= \frac{5000 \times 2}{10} = ₹ 1,000$$

(2) Depreciation on vehicles @ 5%

$$= 1,85,000 \times \frac{5}{100} = ₹ 9,250$$

(3) New R.D.D. is calculated as follows :

R.D.D. = 5% on net debtors

$$= \frac{5}{100} \times (\text{Sundry debtors} - \text{New bad debts})$$

$$= \frac{5}{100} \times (2,25,000 - 2,500)$$

$$= \frac{5}{100} \times 2,22,500$$

$$= ₹ 11,125.$$