

**QUESTION BANK**  
**ACCOUNTANCY**  
**&**  
**BUSINESS STUDIES**  
**CLASS XII**

**KENDRIYA VIDYALAYA SANGATHAN**  
**ZONAL INSTITUTE OF EDUCATION & TRAINING**  
**BHUBANESWAR**

## **FOREWARD**

I am happy that Mr. NANIGOPAL MAJI has been able to bring out the booklet, which contains tips and questions of different difficulty levels in all chapters of Class XII in Accountancy & Business Studies.

This should help the students in each of the topics / chapters, If the student is able to solve all the questions.

Such an endeavor demands the combination of good knowledge of the subject with experience in classroom teaching and testing. The rich experience and expertise of Mr. NANIGOPAL MAJI along with the willingness to walk the extra mile has resulted in this achievement.

I whole heartedly congratulate Mr. NANIGOPAL MAJI, who could give a concrete form to the concept visualised by me.

In addition to this, at ZIET, we have another option called 'ASK US' to clarify any doubt or solve any problem of students of any KV. The students should go to the website of ZIET BBSR, fill up the particulars and mail to us. The reply will be sent to the students' e-mail directly.

I wish 'Good Luck' to all the students appearing in the Board Exam this year and wish to encourage them to utilize all the avenues and options open in order to get the best from the KVS.

I sincerely thank the faculty of ZIET for enthusiastically taking up the assignments and completing them on time for the benefit of students' community.

I wish everybody a bright future.

Deputy Commissioner  
KVS, RO, BBSR &  
Director, ZIET BBSR

QUESTION BANK FOR AISSCE: 2016

CLASS-XII

SUB: ACCOUNTANCY

A. 1 MARK QUESTIONS

ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES

1. Define Goodwill.
2. State any two reasons for the preparation of 'Revaluation Account' on the admission of a partner.
3. Give the meaning of 'minimum subscription'.
4. Seetal and Manohar are partners in a firm without any partnership deed. Their capitals are ₹ 4,00,000 and ₹ 5,00,000. Seetal is an active partner and looks after the business. Seetal wants that profit should be shared in proportion of capitals. State with reason whether his claim is valid or not.
5. Why is it that the Capital Account of a partner does not show a Debit Balance in spite of regular and consistent losses year-after year?
6. What is the nature of Revaluation Account?
7. Do all forms of business organization prepare a Profit and Loss Appropriation Account?
8. Why would an investor prefer to invest partly in Shares and partly in the Debentures of a Company?
9. Where would you record 'Interest on Drawings' when capitals are fixed?
10. Praksah, Vikash and Sankash decided that interest on capital will be provided to each partner @ 5% p.a. But after one year Sankash wants that no interest on capital is to be provided to any partner. State how Sankash can do this.
11. How does the factor 'Quality of product' affect the goodwill of a firm?
12. What is meant by 'pro-rata allotment of shares'?
13. Give the average period in months for charging interest on drawings for the same amount withdrawn at the beginning of each quarter.
14. State the meaning of sacrificing ratio.
15. How does the nature of business affect the value of goodwill of a firm?
16. Give the meaning of 'Issue of Debenture as a collateral security.'
17. A partnership deed provides for the payment of interest on capital, but there was a loss instead of profits during the year 2015-16 .At what rate will the interest on capital be allowed?
18. Give any one distinction between sacrificing ratio and gaining ratio.
19. What is meant by 'calls in advance'?
20. State any one purpose for admitting a new partner in a partnership firm.
21. What is meant by 'Naked debenture'?
22. At what rate is interest paid by the company on calls-in-advance, if it has not prepared its own Articles of Association?

## FOREWARD

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23. Give the Journal Entry to distribute 'Workmen Compensation Fund/Reserve of ₹ 70,000 at the time of retirement of Naina when there is a claim of ₹ 25,000 against it. The firm has three partners Neesa, Neeva and Naina.
24. What is meant by 'Calls-in-Arrears'?
25. At what rate is interest payable on the amount remaining unpaid to the executor of a deceased partner in a partnership firm?
26. State the ratio in which the partners share the accumulated profits when there is a change in the profit sharing ratio amongst existing partners.
27. If partners' capital is fixed, state any two items in the debit side of Partners Capital Account.
28. Pradeep, Pramod and Prava were partners sharing profits in the ratio of 1/2, 3/10 and 1/5. Pradeep retired from the firm. Calculate the Gaining Ratio of the remaining partners.
29. State the rights acquired by a newly admitted partner.
30. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of Court's intervention.
31. Give the meaning of 'Reconstitution of a partnership firm'.
32. Sunfeed Ltd. invited application for issuing 10,00,000 equity shares of ₹ 10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? Give reason in support of your answer.
33. What do you mean by 'Employees Stock option Plan'?
34. Moonlight Ltd. forfeited 100 equity shares of ₹ 10 each issued at a premium of 20% for non-payment of final call of ₹ 5 per share including premium. State the maximum amount of discount at which these shares can be re-issued.
35. Give a difference between Shares and Debenture.
36. In absence of partnership deed what will be interest rate on loan taken from a partner.
37. Ratan, Rohan and Ravi were partners in a firm sharing profits in the ratio of 5:3:2. On 1<sup>st</sup> January, 2015 they admitted Rafique as a new partner for 1/10<sup>th</sup> share in the profits. On Rafique's admission, the Profit and Loss Account of the firm was showing a debit balance of ₹20,000 which was credited by the accountant of the firm to the capital accounts of Ratan, Rohan and Ravi in their profit sharing ratio. Did the accountant give correct treatment? Give reason in support of your answer.
38. On the death of a partner, his/her share in the profits of the firm till the date of his/her death is transferred to which account?
39. Mango, Guava and Apple were partners in a firm sharing profits in the ratio of 7:5:3. From 1<sup>st</sup> January 2015, they decided to share the profits equally. For this purpose the goodwill of the firm was valued at ₹ 2,40,000.
- Pass necessary Journal entry for the treatment of goodwill on change in the profit sharing ratio of Mango, Guava and Apple.
40. Give the meaning of forfeiture of shares.
41. Structure Ltd. Issued 50,000 equity shares of ₹ 10 each. The amount was payable as follows:
- On application---₹ 3 per share
- On allotment----- ₹ 2 per share
- On first and final call----the balance.

Application for 45,000 shares were received and shares were allotted to all the applicants'. Deepa, to whom 500 shares were allotted, paid her entire money at the time of allotment, whereas Noorjahan did not pay the first and final call on her 300 shares. Find the amount received at the time first and final call.

42. What do you mean by 'Reconstitution of a partnership firm'?

43. Red, Blue and Green were partners in a firm sharing profits in the ratio 3:2:1. At the time of admission of a partner, the goodwill of the firm was valued at ₹ 2, 00,000. The Accountant of the firm passed the entry in the books of accounts for this and thereafter showed goodwill at ₹ 2, 00,000 as an asset in the Balance Sheet. Was the Accountant correct in doing so? Why?

44. Chalk, Duster and Blackboard are partners. The firm had given a loan of ₹ 20,000 to Duster. They decided to dissolve the firm. In the event of dissolution of the firm what will be the accounting treatment.

45. Differentiate between 'Capital Reserve and Reserve Capital'.

46. Tree Leaves Ltd. Issued 50,000 equity shares of ₹ 100 each payable ₹ 20 on application (on 1<sup>st</sup> July 2015); ₹ 30 on allotment (on 1<sup>st</sup> August 2015); ₹ 35 on first call (on 1<sup>st</sup> September 2015) and the balance on final call (on 1<sup>st</sup> October 2015). Divya, a shareholder holding 5000 shares did not pay the first call on the due date. The final call was made and Divya paid the first call amount along with the final call. All sums due were received.

Calculate the amount received at the time of final call.

47. Shirt and Pant were partners sharing profits in the ratio of 3:2. On 1<sup>st</sup> April 2015, they decided to admit Blazer for 1/5<sup>th</sup> share in the profits. They had a Reserve of ₹ 25,000 which they wanted to show in their new Balance Sheet. Blazer agreed and the necessary adjustments were made in the books of accounts. On 1<sup>st</sup> October 2015 Shirt met with an accident and died. Pant and Blazer decided to admit Shirt's son T-shirt in their partnership, who agreed to bring ₹ 2, 00,000 as capital. Calculate Shirt's share in the reserve on the date of his death.

48. State any one purpose for which Security Premium can be utilized.

49. What do you mean by 'open market operation'?

50. What will be the accounting treatment where Workmen Compensation Reserve stands in the books of accounts of a partnership firm at ₹ 40,000 as on 31<sup>st</sup> March 2014. But the claim settled for compensation to the workers as on that date was ₹ 41,000?

### ANALYSIS OF FINANCIAL STATEMENTS

51. Dividend paid by a manufacturing company is classified under which kind of activity while preparing Cash Flow Statement.

52. State whether the payment of cash to creditors will result in inflow, outflow or no flow of cash.

53. State why non-cash transactions are ignored while preparing a Cash Flow Statement.

54. When is dividend received considered as operating activity.

55. Under which type of activity will you classify 'Proceeds from Sale of Machinery' while preparing Cash Flow Statement?

56. Interest received on debentures would result in inflow, outflow or no-flow of cash? Give your answer with reason.

57. List any two investing activities which result into outflow of cash.

58. Payment of dividend will come under which type of activity while preparing a Cash Flow Statement?

59. While preparing Cash Flow Statement, what type of activity is 'Payment of cash to acquire shares of another company by a Trading Company'?
60. What is the objectives of preparing a Cash Flow Statement?
61. Under which type of activity will you classify 'Proceeds from sale of Patents' while preparing Cash Flow Statement?
62. State with reason whether 'Purchase of Furniture by issuing equity shares to the vendor' would result into inflow, outflow or no flow of cash.
63. What is meant by 'Cash Flow Statement'?
64. Why is separate disclosure of cash flow from investing activities important while preparing Cash Flow Statement?
65. State with reason -Cash withdrawn from Bank for office use will leads to inflow, outflow or no flow of cash while preparing Cash Flow Statement.
66. The accountant of Simple Ltd. while preparing Cash Flow Statement added depreciation provided on Non-current Assets to net profit for calculating cash flow from operating activities. Was he correct in doing so? Give reason.
67. Payment of bonus to the employees by an Insurance Company will be categorized in which type of activity at the time of preparing of cash flow statement.
68. While preparing Cash Flow Statement, the accountant of Happy Ltd. a financing company, included 'Interest received on loan' in financing activities. Was he correct in doing so? Give reason.
69. While preparing Cash Flow Statement, the accountant of Morning Ltd., a financing company, included 'Dividend received ₹50,000 on investment' in investing activities. Was he correct in doing so? Give reason.
70. Under which type of activity the transaction will be put: 'Sale of marketable securities of ₹ 25,000 at ₹ 26,000'.
71. Under which type of activity the transaction will be put: 'Cash deposited with bank in a Term Deposit with a maturity period of two months'.
72. Focus Ltd. Is carrying on a Mutual Fund business. It invested ₹ 30, 00,000 in shares and ₹ 15, 00,000 in debentures of various companies during the year 2014-15. It received ₹ 3, 00,000 as dividend and interest during this period. Under which activity you will put this while preparing Cash Flows Statement?

### B.3 MARKS QUESTIONS

#### ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES

1. Swarna Ltd. purchased furniture to the tune of ₹2, 20,000 from M/S Swaraj & Co. Half of the amount was paid by accepting a bill of exchange and for the balance, the company issued 11% debenture of ₹100 each at a premium of 10% in favour of M/S Swaraj & Co.

Pass necessary journal entries for the above transaction in the books of Swarna Ltd.

2. Skylark Ltd. forfeited 1,500 equity shares of ₹10 each for the non-payment of first call of ₹2 per share. The final call of ₹1 per share was not yet made. The forfeited shares were re-issued for ₹21,000 as fully paid-up.

Pass necessary journal entries in the books of the company for forfeiture and re-issue of these shares.

3. The Director of Swadheen Ltd. Forfeited 600 equity shares of ₹ 10 each issues at a premium of ₹3 per share (payable at the time of allotment), for the non-payment of the first call money of ₹3 per share. The final call of ₹ 2 per share has not

been made yet. Half of the forfeited shares were reissued at ₹ 3,000 fully paid. Record the journal entries for the forfeiture and reissue of shares.

4. Roxy Ltd. issued 30,000 shares of ₹10 each at a premium of ₹ 2 per share payable as ₹ 3 on application, ₹5 (including premium) on allotment and the balance on first and final call. Applications were received for 62,000 shares. The directors resolved to allot as follows:

A. Applicants of 20,000 shares were allotted 10,000 shares

B. Applicants of 40,000 shares were allotted 20,000 shares

C. Applicants of 2,000 shares were allotted nothing.

Sunita who had applied for 1,500 shares in category A and Monika who was allotted 600 shares in category B failed to pay the allotment money.

Calculate the amount received on allotment.

5. Foodgrain Ltd obtained a loan of ₹ 3,00,000 from Good Deal Bank. The company issued 4,000, 11% debenture of ₹ 100 each as a collateral security for the same. Show how these items will be presented in the Balance Sheet of the company.

6. Goodwill Ltd. Issued 50,000 shares of ₹ 10 each at par payable as ₹ 2 per share on application, ₹ 3 on allotment and ₹ 5 on first and final call. Applications were received for 80,000 shares. It was decided that-

a) Refuse allotment to the applicants of 10,000 shares,

b) Allot 20,000 shares to Babita who had applied for a similar number, and

c) Allot the remaining shares on a pro-rata basis.

Babita failed to pay the allotment money and Sangeeta who belonged to category (c) and was allotted 3,000 shares, paid call money with allotment.

Calculate the amount received on allotment.

7. Spark Ltd. Purchased machinery costing ₹10,00,000 from Space & Co. The company paid the price by issue of Equity Shares of ₹10 each at a premium of 25%.

Pass necessary journal entries for the above transactions in the books of Spark Ltd.

8. Fusion Ltd. purchased 1,000, 9% Debentures of ₹ 100 each from the market at ₹ 97 each. The Debentures were redeemable at a premium of 5% after 7 years. The expenses in this regard is ₹ 500.

Pass necessary journal entries for the above transaction in the books of Fusion Ltd.

9. Rochak Ltd. invited applications for issuing 3,000, 9% Debenture of ₹ 100 each at a premium of ₹50 per Debenture. The full amount was payable on application.

Applications were received for 4,000 Debentures. Applications for 1,000 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applicants.

Pass necessary Journal Entries for the above transactions in the books of Rochak Ltd.

10. Simple Ltd. purchased a piece of land for ₹ 3,00,000 from Jaminwala & Sons. ₹1,00,000 were paid by drawing a Promissory Note in favour of the vendor. The balance was paid by issue of Equity Shares of ₹ 10 each at a premium of 25%.

Pass necessary Journal entries in the books of Simple Ltd.



11. Pass necessary Journal entries for the issue of Debentures in the following cases:

(a) ₹40,000, 15% Debentures of ₹ 100 each issued at par, redeemable at 10% premium.

(b) ₹ 90,000, 14% Debentures of ₹ 50 each issued at premium of 40% redeemable at par.

12. Raman, Chaman and Lallan are partners in a firm. They contributed ₹ 75,000 each as capital three years ago. At that time Lallan agreed to look after the business as Raman and Chaman were busy in their private works. The profit for last three years were ₹ 45,000, ₹30,000 and ₹ 60,000 respectively. While going through the books of accounts, Raman noticed that profit had been distributed in 1:1:2 ratio. When he enquired from Lallan about this, Lallan answered that since he looked after the business he should get more profit. Raman disagreed and it was decided to distributed profits equally with retrospective effect for the last three years.

a) You are required to make necessary corrections in the books of accounts of Raman, Chaman and Lallan by passing an adjustment entry.

b) Identify the value which is being ignored by Lallan.

13. Chair and Bench were partners in a firm sharing profits in the ratio of 3:2. their capitals were ₹ 1, 60,000 and ₹ 1, 00,000 respectively. They admitted Desk on 1<sup>st</sup> April 2015 as a new partner for 1/5 share in the future profits. Desk brought ₹ 1, 20,000 as his capital.

Calculate the value of goodwill of the firm and record necessary journal entries for the above transactions on Desk's admission.

14. Superstar Ltd. invited applications for issuing 5, 00,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. Because of favorable market conditions the issue was over-subscribed and applications for 15, 00,000 shares were received.

Suggest the alternative available to the Board of Directors for the allotment of shares.

15. On 1<sup>st</sup> April 2014, Brick and Cement entered into partnership to construct toilets in government girls' schools in the remote areas of Jharkhand. They contributed capitals of ₹ 10, 00,000 and ₹ 15, 00,000 respectively. Their profit sharing ratio was 2:3 and interest allowed on capital as provided in the Partnership Deed was 12% p.a. During the year ended 31<sup>st</sup> March 2015, the firm earned a profit of ₹ 2, 00,000.

Prepare Profit and Loss Appropriation Account of Brick and Cement for the year ended 31.03.2015.

16. Genesis Ltd. is registered with an authorized capital of ₹10, 00, 00,000 divided into 10, 00,000 equity shares of ₹ 100 each. The company issued 1, 00,000 shares for public subscription. A shareholder holding 100 shares, failed to pay the final call money of ₹ 20 per share. His shares were forfeited. 75 of the forfeited shares were re-issued at ₹ 90 per share as fully paid up.

Present the Share Capital in the Balance Sheet of the Company as per Schedule III of the Companies Act, 2013. Also prepare Notes to Accounts.

16. Fairmotive Ltd. is a company manufacturing woolen swals. Swals of the company are exported to many countries. The company decided to distributed swals free of cost to ten villages of Murshidabad district of West-Bengal where most of the people are very poor and. It also decided to employ 50 young unemployed person from these villages in their newly established factory at Farraka in west Bengal. To meet the requirements of funds for starting its new factory, the company issued 50,000 equity shares of ₹ 10 each and 2,000,9% debenture of ₹ 100 each to the vendors of machinery purchased for ₹ 7,00,000.

Pass necessary journal entries for the above transactions in the books of the company. Also identify any one value which the company wants to communicate to the society.

17. State any three purposes for which securities premium can be utilized.

18. Pen and Pencil were into the business of providing software solutions in India. They were sharing profits in the ratio 3:2. They admitted Eraser for a  $\frac{1}{5}$ th share in the profits of the firm. Eraser, an IIT-ian and can help to expand their business not in the domestic market but overseas market also. Eraser is guaranteed a minimum profit of ₹ 2,00,000 for a year. Any deficiency in Eraser's share is to be borne by Pen and Pencil in the ratio of 4:1. Losses for the year ended 31st March 2015 were ₹ 10,00,000.

Pass the necessary journal entries.

19. Cosmopolitan Ltd was registered with an authorized capital of ₹ 50,00,000 divided into 50,000 equity shares of ₹ 100 each. Since economy was in robust shape, the company decided to offer to the public for subscription 30,000 equity shares of ₹ 100 each at a premium of ₹ 20 per share. Applications for 28,000 shares were received and allotment was made to all the applicants. All calls were made and duly received except the final call of ₹ 20 per share on 200 shares.

Show the 'Share Capital' in the Balance Sheet of Cosmopolitan Ltd as per Schedule III of the Companies Act. Also prepare Notes to Accounts for the same.

20. Power Ltd. had a prosperous shoe business. They were manufacturing shoes in India and export to Arabian Countries. Being a socially aware organization, they wanted to pay back to the society. They decided to not only supply free shoes to 50 orphanages in various parts of the country but also give employment to children from those orphanages who were above 18 years of age. In order to meet the fund requirements, they decided to raise 50,000 equity shares of ₹ 50 each and 40,000, 8% Debentures of ₹100 each.

Pass the necessary journal entries for issue of shares and debentures. Also identify one value which the company wants to communicate to the society.

21. Pawan, Sadhan and Bhajan are partners in a firm sharing profits in the ratio of 3:2:1. On 1st April 2015, Sadhan retires from the firm. Pawan and Bhajan agree that the capital of the new firm shall be fixed at ₹ 2,10,000 in the profit sharing ratio. The capital accounts of Pawan and Bhajan after all adjustments on the date of retirement showed balances of ₹ 1,45,000 and ₹ 63,000 respectively.

State the amount of actual cash to be brought in or to be paid off to the partners.

22. Beeva, Neeva and Seeva are partners in a firm whose books are closed on 31st March every year. Neeva died on 30th June 2015 and according to the agreement, the share of profits of a deceased partner up to the date of death is to be calculated on the basis of the average profits of the last five years. The net profits for the last five years have been:

2014-15: ₹ 16,000

2013-14: ₹ 10,000 (Loss)

2012-13: ₹ 16,000

2011-12: ₹ 18,000

2010-11: ₹ 14,000

Calculate Neeva's share of the profit up to the date of death and pass necessary journal entry.

### ANALYSIS OF FINANCIAL STATEMENTS

23. What are common size statements? State any two uses of common size statements.

24. What is Vertical Analysis of Financial Statement?

25. From the following information provided, prepare a comparative income statement for the period 2014 and 2015.

	2014	2015
Revenue from operation (₹)	5, 00,000	6, 00,000
Gross Profit	40 % on Sales	50 % on Sales
Expenses	20 % of Gross Profit	15 % of Gross Profit
Income Tax	50 %	40 %

26. Give the major headings and sub-headings under which the following items will be shown in a company's Balance Sheet as per schedule III Part I of Companies Act 2013:

(i) Accounts Payable (ii) Provision for Tax (iii) Preliminary Expenses (iv) Loose Tools (v) Interest accrued on Investment with life 3 years. (vi) Goodwill

27. Zenetex Ltd. has a Current Ratio of 3:1 and Acid Test Ratio of 2:1. If the excess of current assets over quick assets as represented by Inventory is ₹ 40,000, calculate current assets and current liabilities.

28. Under which heads and sub-heads will the following items appear in the Balance Sheet of a Company as per Revised Schedule III Part I of the Companies Act 2013?

(i) Subsidy Reserve

(ii) Mining Rights

(iii) Provision for doubtful debts.

29. Under which heads and sub-heads will the following items appear in the Balance Sheet of a Company as per Revised Schedule III Part I of the Companies Act 2013?

(i) Capital Reserve

(ii) Bonds

(iii) Loans repayable on demand

(iv) Vehicle

(v) Goodwill

(vi) Loose Tools

30. Under which heads and sub-heads will the following items appear in the Balance Sheet of a Company as per Revised Schedule III Part I of the Companies Act 2013?

(i) Capital Redemption Reserve

(ii) Net loss as shown by Statement of Profit & Loss

(iii) Unpaid dividend

(iv) Buildings

(v) Trademarks

(vi) Raw materials

31. Under which heads and sub-heads will the following items appear in the Balance Sheet of a Company as per Revised Schedule III Part I of the Companies Act 2013?

- (i) Cheques in hand
- (ii) Stock of work-in-progress
- (iii) Copyright
- (iv) Cash at bank
- (v) Trade payables
- (vi) Loan payable after three years.

32. Write down the heading and sub-heading in the Equity and Liabilities side of the Balance Sheet of a Company as per Revised Schedule III Part I of the Companies Act 2013.

#### C.4 MARKS QUESTIONS

#### ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES

1. Anima and Sunaina were partners in a firm sharing profits in the ratio of 3:2. their fixed capitals were:

Anima - ₹ 9, 00,000 and, Sunaina ₹ 6, 00,000. The partnership deed provided for the following:

- (i) Interest on capital @ 5 % p.a.
  - (ii) ₹ 60,000 p.a salary to Anima and salary ₹ 2,000 per month to Sunaina.
- The profit earned by the firm for the year ended 31<sup>st</sup> March, 2015 was ₹ 2, 34,000.  
The profits were divided equally without providing for the above.

Pass adjustment entry.

2. Dew, Fog and Rain were partners in a firm sharing profits in the ratio 2:2:1. The firm closes its books on 31<sup>st</sup> March every year. Fog died on 24<sup>th</sup> August 2015. On Fog's death the goodwill of the firm was valued at ₹ 75,000. The Partnership deed provided that on the death of a partner his/her share in the profits of the firm in the year of his/her death will be calculated on the basis of last year's profit. The profit of the firm for the year ended 31<sup>st</sup> March 2015 was ₹ 2, 00,000.

Calculate Fog's share of profit till the time of his death and pass the necessary journal entries for the treatment of goodwill and his share of profit.

3. Candid Ltd. was registered with an authorized capital of ₹ 4, 00, 00,000 divided into equity shares of ₹ 100 each. The company offered for public subscription 3, 00,000 equity shares. The public applied for 2, 80,000 shares and all were allotted. The company did not make the second and final call of ₹ 10 per share. The first call of ₹ 20 per share was not received on 1000 shares.

Show the heading Share Capital in the Balance Sheet of the company as per Revised Schedule III Part I of the Companies Act 2013.

4. Deepa, Reepa and Neepa were partners in a firm having capitals of ₹ 80,000; ₹ 80,000; and ₹ 40,000 respectively. Their current account balances were: Deepa: ₹ 10,000; Reepa: ₹ 5,000; and Neepa: ₹ 2,000 (Dr.). According to the partnership deed the partners were entitled to interest on capital @ 10% p.a. Neepa being the working partner was also entitled to a salary of ₹ 12,000 p.a. The profits were to be divided as follows:

- (a) The first ₹ 20,000 in proportion to their capitals.
- (b) Next ₹ 30,000 in the ratio of 5:3:2

(c) Remaining profits to be shared equally.

The firm made a profit of ₹ 1, 72,000 before charging any of the above items.

Prepare the Profit and Loss Appropriation account and pass the necessary journal entry for the appropriation of profits.

5. (a) A and B are partners in the ratio of 7:3. They admit C for  $\frac{1}{5}$ th share, which he acquires, in equal proportions from both. Find the new profit sharing Ratio.

(b) A, B and C are partners in a firm sharing profits in the ratio of 5:4:3. B retires and his share is taken up equally by A & C. Find the new profit sharing ratio.

6. Zeal Ltd. had issued 10,000, 12% Debentures of ₹100 each which is due for redemption on 31<sup>st</sup> March 2015. The company has in its Debenture Redemption Reserve Account a balance of ₹2,00,000. It invested required investment in Govt Bonds.

Record the necessary journal entries at the time of Redemption of Debentures.

7. X, Y and Z are partners in a firm. Their capitals were X: ₹ 30,000; Y: ₹ 20,000 and Z: ₹ 10,000 respectively. According to the partnership deed they were entitled to an interest on capital @ 5 % p.a. In addition Z was also entitled to draw a salary of ₹ 500 per month. Y was entitled to a commission of 5% on the profits after charging the interest on capital, but before charging the salary payable to Z. The net profits for the year ended 31<sup>st</sup> March 2015 of ₹ 30,000 distributed in the ratio of their capitals without providing for any of the above adjustments. The profits were to be shared in the ratio 2:1:2. Pass the necessary adjustment entry showing the workings clearly.

8. Tarun, Barun and Arun are partners in a firm sharing profits in the ratio of 6:5:4. Their capitals were: Tarun ₹ 1,00,000; Barun ₹ 80,000 and Arun ₹ 60,000 respectively. On 1<sup>st</sup> April 2015 Arun retired from the firm and the new profit sharing ratio between Tarun & Barun was decided as 11:4. On Arun's retirement the goodwill of the firm was valued at ₹ 90,000 .

Showing your calculations clearly, pass necessary journal entry for the treatment of goodwill on Arun's retirement.

9. Cobal Ltd. had ₹ 10,00,000 8% Debentures due to be redeemed out of profits on 1<sup>st</sup> October 2015 at a premium of 5%. The company had a Debenture Redemption Reserve of ₹ 4,64,000. Pass necessary journal entries at the time of redemption.

10. Ram and Shyam entered into partnership on 1<sup>st</sup> April 2014 without any partnership deed. They introduced capitals of ₹ 5, 00,000 and ₹ 3, 00,000 respectively. On 30<sup>th</sup> September 2014, Ram advanced ₹ 2, 00,000 by way of loan to the firm without any agreement as to interest.

The Profit & Loss Account for the year ended 31<sup>st</sup> March 2015 showed a profit of ₹ 4, 30, 000, but the partners could not agree upon the amount of interest on loan to be charged and the basis of division of profits. Pass journal entry for the distribution of the profits between the partners and prepare the Capital Accounts of both the partners and Loan Account of Ram.

11. A partnership firm earned net profits during the last three years as follows:

2014-15: ₹ 1, 90,000

2013-14: ₹ 2, 20,000

2012-13: ₹ 2, 50,000

The capital employed in the firm throughout the above mentioned period has been ₹ 4, 00,000. Having regard to the risk involved, 15% is considered to be a fair return on the capital. The remuneration of all the partners during this period is estimated to be ₹ 1, 00,000 per annum.

Calculate the value of goodwill on the basis of (i) two years purchase of super profits earned on average basis during the above mentioned three years and (ii) by capitalization method.

12. Pass necessary journal entries for the issue and redemption of Debentures in the following cases:

(i) 15,000, 11 % Debentures of ₹ 250 each issued at 5 % premium, repayable at 15 % premium.

(ii) 2, 00,000, 12 % Debentures of ₹ 10 each issued at 8 % premium, repayable at par.

13. Atul, Bibek, Chandan and Danish are partners sharing profits in the ratio of 3:3:2:2 respectively. Danish retires and Atul, Bibek and Chandan decide to share the future profits in the ratio of 3:2:1. Goodwill of the firm is valued at ₹ 6,00,000. Goodwill already appears in the books at ₹ 4,50,000. The profits for the first year after Danish retirement amount to ₹ 12,00,000.

Give the necessary Journal entries to record Goodwill and to distribute the profits. Show your calculations clearly.

14. Hologram Ltd. decided to redeem its 1250, 11 % Debentures of ₹ 100 each. It purchased 850 Debentures from the open market at ₹ 96 per Debenture. The remaining Debentures were redeemed out of profit. The company has already made a provision for Debenture Redemption Reserve in its books.

Pass necessary Journal Entries in the books of the company for the above transaction.

15. Lalu and Peelu are partners in a firm sharing profits in the ratio of 3:2. Their fixed capitals on 1<sup>st</sup> April 2014 were: Lalu ₹ 1, 00,000 and Peelu ₹ 2, 00,000. They agreed to allow interest on capital @ 12% p.a and to charge on drawings @ 15% p.a. The firm earned a profit, before all above adjustments, of ₹ 30,000 for the year ended 31<sup>st</sup> March 2015. The drawings of Lalu and Peelu during the year were ₹ 3000 and ₹ 5000 respectively.

Showing your calculations, clearly prepare Profit and Loss Appropriation A/C of Lalu and Peelu. The interest on capital will be allowed even if the firm incurs a loss.

16. Sameer and Krishan are partners in a firm. They admit Sajal as a new partner with 1/5<sup>th</sup> share in the profits of the firm. Sajal brings ₹ 5, 00,000 as his share of capital. The value of the total assets of the firm was ₹ 15, 00,000 and outside liabilities were valued at ₹ 5, 00,000 on that date.

Give necessary Journal entry to record goodwill at the time of Sajal's admission. Also show your workings.

15. The authorized capital of Gagan Ltd. is ₹ 50, 00,000 divided into 25,000 shares of ₹ 200 each. Out of these, the company issued 12,000 shares of ₹ 200 each at a premium of 10 %. The amount per share was payable as follows:

₹ 60 on application

₹ 60 on allotment (including premium)

₹ 30 on first call and

Balance on final call.

Public applied for 11,000 shares. All the money was duly received.

Present the Share Capital in the Balance Sheet of the Company as per Schedule III of the Companies Act, 2013. Also prepare Notes to Accounts.

16. Jesmine Ltd. purchased a running business of Nandan & Co. for a sum of ₹ 22, 00,000 by issuing 20000 fully paid equity shares of ₹ 100 each at a premium of 10 %. The assets and liabilities consisted of the following:

Machinery ₹ 7,00,000; Debtors ₹ 2,50,000; Stock ₹ 5,00,000; Building ₹ 11,50,000 and Bills Payable ₹ 2,50,000.

Pass necessary Journal Entries in the books of Jasmine Ltd for the above transactions.

17. Rose, Jasmine and Marigold are partners in a firm sharing profits in the ratio of 4:3:2. On 1<sup>st</sup> April 2014, Jasmine gave a notice to retire from the firm. Rose and Marigold decided to share future profits in the ratio of 1:1. The capital accounts of Rose and Marigold after all adjustments showed a balance of ₹ 43,000 and ₹ 80,500 respectively. The total amount to be paid to Jasmine was ₹ 95,500. This amount was to be paid by Rose and Marigold in such a way that their capitals become proportionate to their new profit sharing ratio.

Pass necessary Journal Entries in the books of the firm for the above transactions. Show your working clearly.

18. Patel and Agarwal decided to start a partnership firm to manufacture low cost compost manure as chemical manure were creating many environmental problems. They contributed capitals of ₹ 1, 00,000 and ₹ 50,000 on 1<sup>st</sup> April, 2014 for this. Patel expressed his willingness to admit Bansal as a partner without capital, who is a specially abled but creative and intelligent friend of his. Agarwal agreed to this. The terms of partnership were as follows:

(i) Patel, Agarwal and Bansal will share profits in the ratio of 2:2:1.

(ii) Interest on capital will be provided @ 6 % p.a.

Due to shortage of capital, Patel contributed ₹ 25,000 on 30<sup>th</sup> September 2014 and Agarwal contributed ₹ 10,000 on 1<sup>st</sup> January 2015 as additional capital. The profit of the firm for the year ended 31<sup>st</sup> March 2015 was ₹ 1, 68,900.

(a) Identify any two values which the firm wants to communicate to the society.

(b) Prepare Profit and Loss Appropriation Account for the year ended 31<sup>st</sup> March 2015.

19. Gopal, Govind and Govardhan were partners in a firm sharing profits in the ratio of 2:2:1 respectively. On 31<sup>st</sup> March, 2015 their Balance Sheet was as under:

BALANCE SHEET as on 31<sup>st</sup> March, 2015

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Fixed Assets	3,60,000
Gopal      1,80,000		Stock	60,000
Govind     1,50,000		Debtors	1,20,000
Govardhan  90,000		Cash	2,70,000
	4,20,000		
Reserve Fund	1,50,000		
Creditors	2,40,000		
	8,10,000		8,10,000

Govind died on 30<sup>th</sup> June 2015. It was agreed between his executors and the remaining partners that-

(a) Goodwill of the firm be valued at 3 years' purchase of average profits for the last four years. The average profits were ₹ 2, 00,000.

(b) Interest on capital be provided at 12 % p.a.

(c) His share of the profits up to the date of death will be calculated on the basis of average profits for the last four years.

Prepare Govind's Capital account as on 30<sup>th</sup> June, 2015.

20. On 1<sup>st</sup> April, 2015, Komal Ltd. was formed with an authorized capital of ₹ 10, 00,000 divided into 1, 00,000 equity shares of ₹ 10 each. The company issued prospectus inviting applications for 90,000 equity shares. The company received applications for 85,000 equity shares. During the first year, ₹ 8 per share were called. Anuj holding 1,000 shares

and Tanuj holding 2,000 shares did not pay the first call of ₹ 2 per share. Tanuj's shares were forfeited after the first call and later on 1,500 of the forfeited shares were re-issued at ₹ 6 per share, ₹ 8 called up.

Show the following:

(a) Share Capital in the Balance Sheet of Komal Ltd. as per revised Schedule III Part I of the Companies Act 2013.

(b) Also prepare 'Notes to Accounts' for the same.

21. Pass necessary journal entries for the following transactions in the books of Swift Ltd. :

(i) Purchased furniture for ₹ 2,50,000 from M/S Good Deal & Co. The payment to M/S Good Deal & Co was made by issuing equity shares of ₹ 10 each at a premium of 25%.

(ii) Purchased a running business of Diganta & Sons for a sum of ₹ 15,00,000. The payment of ₹ 12,00,000 was made by issue of fully paid equity shares of ₹ 10 each and balance by a bank draft. The assets and liabilities consisted of the following:

Plant ₹ 3,50,000; Stock ₹ 4,50,000; Land & Building ₹ 6,00,000; Sundry Creditors ₹ 1,00,000.

22. Sutapa, Sunita and Sujata were partners in a firm sharing profits in the ratio of 4:3:3. On 31<sup>st</sup> March 2015, their Balance Sheet was as follows:

BALANCE SHEET as on 31<sup>st</sup> March, 2015

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Cash		8,000
Sutapa	70,000		Debtors		13,000
Sunita	68,000		Bills receivable		9,000
	<hr/>		Furniture		27,000
		1,38,000	Machinery		1,25,000
Sujata's Loan		28,000	Sujata's Capital		13,000
Bills Payable		12,000			
Creditors		17,000			
		1,95,000			1,95,000

On 30<sup>th</sup> September 2015 Sujata died. The Partnership Deed provided for the following to the executors of the deceased partner:

(a) Her share in the goodwill of the firm calculated on the basis of three years purchase of the average profits of the last four years. The profits of the last four years were ₹ 1,90,000; ₹ 1,70,000; ₹ 1,80,000 and ₹ 1,60,000 respectively.

(b) Her share in the profits of the firm till the date of her death calculated on the basis of the average profits of the last four years.

(c) Interest @ 8 % p.a on the credit balance, if any, in her Capital Account.

(d) Interest on her loan @ 12 % p.a.

Prepare Sujata's Capital Account to be presented to her executors, assuming that his loan and interest on loan were transferred to her Capital Account.



23. Comb, Hair and Ribbon were partners in a firm. Their fixed capitals were Comb ₹ 2, 00,000; Hair ₹ 3, 00,000 and Ribbon ₹ 5, 00,000. They were sharing profits in the ratio of their capitals. The firm was engaged in logistic business at three different locations in the city, each being managed by Comb, Hair and Ribbon. The outlet managed by Comb was doing more business than the outlets managed by Hair and Ribbon. Comb requested Hair and Ribbon for a higher share in the profits of the firm which Hair and Ribbon accepted. It was decided that the new profit sharing ratio will be 2:1:2 and its effect will be introduced retrospectively for the last four years. The profits of the last four years were ₹ 2,00,000; ₹3,50,000; ₹4,75,000 and ₹ 5,25,000 respectively.

Showing your calculation clearly, pass necessary adjustment entry to give effect to the new agreement between Comb, Hair and Ribbon.

24. Following is the Balance Sheet of the firm of Dhiraj, Pankaj and Poonam who are sharing profits in the ratio 2:1:2 as on 31<sup>st</sup> March 2015.

BALANCE SHEET as on 31<sup>st</sup> March, 2015

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Building	2,40,000
Dhiraj      1,44,000		Stock	65,000
Pankaj      92,000		Debtors	30,000
Poonam     1,24,000		Cash at Bank	5,000
	3,60,000	Profit and Loss Account	60,000
Bills Payable	2,000		
Creditors	38,000		
	4,00,000		4,00,000

Dhiraj died on 30<sup>th</sup> September 2015. He had withdrawn ₹ 44,000 from his capital on 1<sup>st</sup> July 2015. According to the partnership agreement, he was entitled to interest on capital @ 8% p.a. His share of profit till the date of death was to be calculated on the basis of the average profits of the last three years. Goodwill was to be calculated on the basis of three years purchase average profits of the last four years. The profits for the year ended-

2013-14 ₹ 80,000

2012-13 ₹ 70,000

2011-12 ₹ 30,000

Prepare Dhiraj's Account to be rendered to his executors.

25. Nisha and Misha are partners doing dyeing business in Kolkata, sharing profits in the ratio of 2:1 with capitals ₹ 5,00,000 and ₹ 4,00,000 respectively. Nisha withdrew the following amounts during the year for paying the school fees of her son –

1<sup>st</sup> April 2014 ₹ 10,000

1<sup>st</sup> June 2014 ₹ 9,000

1<sup>st</sup> November 2014 ₹ 14,000

1<sup>st</sup> December 2014 ₹ 5,000

Misha withdrew ₹ 15,000 on the first day of April, July, October 2014 and January 2015 to pay rent for the accommodation of his family. She also paid ₹ 20,000 per month as rent for the office of the firm which was in a nearby shopping complex.

Calculate interest on drawings @ 6 % p.a.

ANALYSIS OF FINANCIAL STATEMENTS

26. From the following information calculate any two of the following ratios:

(i) Net profit Ratio

(ii) Debt-Equity Ratio

(iii) Quick Ratio

Information-

Paid up Capital- ₹ 20, 00,000

Capital Reserve- ₹2, 00,000

9 % Debentures- ₹8, 00,000

Net revenue from operation- ₹14, 00,000

Gross profit- ₹8, 00,000

Non-operating expenses- ₹2, 00,000

Current assets- ₹4, 00,000

Current Liabilities- ₹3, 00,000

Opening Inventory- ₹50,000

Closing Inventory- 20% more than the opening inventory

27. From the following information prepare Comparative Income Statement of Sunbeam Ltd.

Particulars	2013 ₹	2014 ₹
Revenue from Operation	20,00,000	24,00,000
Operating Expenses	18,00,000	19,00,000
Non-operating Expenses	50,000	80,000
Income Tax	40%	50 %

28. (a) Net profit after interest but before Tax : ₹ 1,40,000

15 % Long Term Debts: ₹ 4, 00,000

Shareholders' Fund: ₹ 2, 40,000

Tax Rate: 50 %

Calculate Return on Capital Employed

(b) Opening Inventory: ₹ 60,000

Closing Inventory: 1, 00,000

Inventory Turn-over Ratio: 8 times

Selling Price: 25% above cost.

Calculate Gross Profit Ratio.

29. Prepare Comparative Income Statement from the following:

Particulars	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
Revenue from operation	10,00,000	12,50,000
Cost of Revenue from operation	6,00,000	7,50,000
Other Expenses	40,000	50,000

Interest on Investment @ ₹ 50,000 and taxes payable @ 50%.

30. (a) A business has a current ratio of 3:1 and quick ratio of 1.2:1. If the working capital is ₹ 1,80,000, calculate the total current liabilities and value of Inventory.

(b) From the given information calculate the Inventory Turnover Ratio:

Revenue from operation: ₹ 2, 00,000

Gross Profit: 25% on cost.

Inventory in the beginning: 1/3 of the inventory at the end which was 30 % of Revenue from operation.

31. Assuming that the Debt-Equity Ratio is 2, state giving reasons whether the ratio would increase, decrease or remain unchanged in the following cases: (Any four)

- (a) Purchase of Non-current assets on a credit of 2 months.
- (b) Purchase of Non-current assets on a long term deferred payment basis.
- (c) Issue of new shares for cash.
- (d) Issue of Bonus Shares
- (e) Sale of Non-current assets at a loss of ₹ 3,000.

32. Calculate Current Ratio of Diya Ltd. from the following information:

- Inventory Turnover Ratio: 4 times
- Inventory at the end was ₹ 20,000 more than Inventory in the beginning.
- Revenue from operation ₹ 3, 00,000
- Gross Profit Ratio: 25 %
- Current liabilities ₹ 40,000
- Quick Ratio: 0.75:1

33. Prepare a comparative Income Statement from the following information:

Particulars	31.03.2014	31.03.2015
	₹	₹
Revenue from operation	40,000	50,000
Cost of revenue from operation	30,000	35,000
Wages paid	16,000	14,000
Operating Expenses	2,500	3,000
Other Income	2,000	3,000
Income Tax	4,750	7,500

34. From the following Income Statement, prepare a Common Size Income Statement of Jeevanjyoti Ltd. for the year ended 31<sup>st</sup> March 2015:

Particulars	Amount ₹
<u>Income:</u>	
Revenue from operation	25,38,000
Other Income	38,000
	<hr/>
Total Income	25,76,000
	<hr/>
<u>Expenses:</u>	
Cost of Revenue from operation	14,00,000
Operating Expenses	5,00,000
	<hr/>
Total Expenses	19,00,000
	<hr/>
Tax	3,38,000

35. From the following information, calculate any two of the following ratios:

- (a) Debt-Equity Ratio  
 (b) Working Capital Turnover Ratio  
 (c) Return on Investment

Information:

Equity Share Capital : ₹ 10,00,000; General Reserve : ₹ 1,00,000; Profit after Tax and Interest : ₹ 3,00,000; 12 % Debenture: ₹ 4,00,000; Creditors: ₹ 3,00,000; Land & Building : ₹ 13,00,000; Furniture: ₹ 3,00,000; Debtor : ₹ 2,90,000; Cash: ₹ 1,10,000; and Preliminary expenses: ₹ 1,00,000.

Revenue from operation for the year ended 31<sup>st</sup> March 2015 was ₹ 30, 00,000 and Tax paid 50 %.

36. From the following Statement of Profit and Loss of Moonlight Ltd., for the year ended 31<sup>st</sup> March 2014 and 2015, prepare a Comparative Statement of Profit and Loss.

Particulars	Note No.	2013-14 ₹	2014-15 ₹
Revenue from operation		40,00,000	24,00,000
Other Incomes		24,00,000	18,00,000
Expenses		16,00,000	14,00,000

37. (a) Compute 'Accounts Receivable Turnover Ratio' from the following information:

Total Revenue from Operation ₹ 5,20,000; Revenue from Operation in cash 60 % of Revenue from Operation in credit .Closing Accounts Receivable ₹ 80,000; Opening Accounts Receivable are 3/4<sup>th</sup> of Closing Accounts Receivable.

(b)Current Liabilities of Fitz Ltd. are ₹ 1, 60,000.Its Liquid ratio is 1.5:1 and Current ratio is 2.5:1.Calculate Quick assets and Current Assets.

38. From the following Statement of Profit and Loss of A-one Ltd. for the year ended 31<sup>st</sup> March 2015, prepare a Comparative Statement of Profit and Loss:

Particulars	Note No.	2014-15 ₹	2013-14 ₹
Revenue from operation		8,00,000	6,00,000
Others income		1,00,000	50,000
Expenses		5,00,000	4,00,000

Rate of income tax was 40%.

39. (a)The quick ratio of a company is 1.5:1.State with reason which of the following transactions would

(i) Increase (ii) decrease or (iii) not change the ratio

1. Paid rent ₹ 3,000 in advance.

2. Trade receivable included a debtor who paid his dues ₹ 9,700.

(b) From the following information compute 'Proprietary Ratio':

Long Term Borrowings	₹ 2, 00,000
Long Term Provisions	₹ 1, 00,000
Current Liabilities	₹ 50,000
Non-current Assets	₹ 3, 60,000
Current Assets	₹ 90,000

40. The Current Ratio of a company is 2.1: 1.2.State with reasons which of the following transactions will increase, decrease or not change the ratio:

- (i) Redeemable 9 % Debentures of ₹ 1, 00,000 at a premium of 10 %.
- (ii) Received from debtors ₹ 17,000
- (iii) Issued ₹ 2, 00,000 equity shares to the vendors of machinery.
- (iv) Accepted bills of exchange drawn by a creditors ₹ 7,000.

41. The motto of Swill Ltd. a company engaged in the manufacturing of low-cot dusting machine is 'Clean India'. Its management and employees are hardworking, honest and motivated. The net profit of the company doubled during the year ended 31<sup>st</sup> March 2015.Encouraged by its performance, the company decided to pay bonus to all employees at double the rate than last year.

Following is the Comparative Statement of Profit and Loss of the company for the years ended 31<sup>st</sup> March 2014 and 2015.

#### COMPARATIVE STATEMENT OF PROFIT & LOSS

Particulars	Note No.	2013-14 ₹	2014-15 ₹	Absolute Change ₹	% Change
Revenue from operation		20,00,000	30,00,000	10,00,000	50
Less: employees benefit expenses		12,00,000	14,00,000	2,00,000	16.67
Profit before tax		8,00,000	16,00,000	8,00,000	100
Tax at 25 % rate		2,00,000	4,00,000	2,00,000	100
Profit after tax		6,00,000	12,00,000	6,00,000	100

- (i) Calculate Net Profit Ratio for the years ended 31<sup>st</sup> March 2014 and 2015.
- (ii) Identify any two values which the company is trying to propagate.

42.(a) Name the sub-heads under the head ' Current Liabilities' in the Equity and Liabilities part of the Balance Sheet as per schedule III of the Companies Act 2013.

(b) State any two objectives of Financial Statement Analysis.

43. (a) From the following details , calculate Opening Inventory ₹ 60,000; Total Revenue from Operation ₹ 5,00,000(including cash revenue from operations ₹ 1,00,000) ; Total Purchase ₹ 3,00,000 (including credit purchases ₹ 60,000).Goods are sold at a profit of 25 % on cost.

(b)Current Assets of a company are ₹ 17, 00, 00.Its current ratio is 2.5 and Liquid Ratio is 0.95.

Calculate Current Liabilities and Inventory.

44. Happy Ltd. is a software company. Honesty and hard work are the two pillars on which the business has been built. It has a good turnover and profits. Encouraged by the huge profits, it decided to give the workers bonus equal to two months' salary. Following is the Comparative Statement of Profit and Loss for the year ended 31<sup>st</sup> March 2014 and 2015.

- (a) Calculate Net Profit Ratio for the years ending 31<sup>st</sup> March 2014 and 2015.  
 (b) Identify any two values which the company wants to communicate to the society.

**COMPARATIVE STATEMENT OF PROFIT & LOSS**

Particulars	Note No.	2013-14 ₹	2014-15 ₹	Absolute Change ₹	% Change
Revenue from operation		20,00,000	30,00,000	10,00,000	50
Less: employees benefit expenses		8,00,000	10,00,000	2,00,000	25
Profit before tax		12,00,000	20,00,000	8,00,000	66.67
Tax at 40 % rate		4,80,000	8,00,000	3,20,000	66.67
Profit after tax		7,20,000	12,00,000	4,80,000	66.67

D.6 MARKS QUESTIONS

ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES

1. Pass necessary journal entries in the books of Varun Ltd. for the following transactions:

- (a) Issued 58,000, 9 % Debentures of ₹ 1,000 each at a premium of 10 %.  
 (b) Purchased 350, 11% Debenture of ₹ 100 each purchased from open market at ₹ 96 each.  
 (c) Redeemed 450 8 % Debentures of ₹ 500 each by draw a lots.

2. Man and Dhan were partners in a firm sharing profits in 3:2 ratio. They admitted Bhan as a new partner for 1/3<sup>rd</sup> share in the profits of the firm. Bhan acquired his share from Man and Dhan in 2:3 ratio. Bhan brought ₹ 80,000 for his capital and ₹ 30,000 for his 1/3<sup>rd</sup> share as premium.

Calculate the new profit sharing ratio of Man,Dhan and Bhan and pass necessary journal entries for the above transactions in the books of the firm.

3. Sun, Moon and Star were partners sharing profits in the ratio of 3:2:1. On 31<sup>st</sup> March 2015, their Balance Sheet as under:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Cash at bank		70,000
Sun:	75,000		Investments		50,000
Moon:	70,000		Patents		15,000
Star:	50,000		Stock		25,000
			Debtors		20,000
		1,95,000	Buildings		75,000
Creditors		72,000	Machinery		36,000
General Reserve		24,000			
		2,91,000			2,91,000

Sun died on 31<sup>st</sup> May 2015. It was agreed that:

- (a) Goodwill was valued at 3 years purchase of the average profits of the last five years, which were: 2010-11 ₹ 40,000; 2011-12 ₹ 40,000; 2012-13 ₹ 30,000; 2013-14 ₹ 40,000 and 2014-15 ₹ 50,000.

- (b) Machinery was valued at ₹ 70,000, Patents at ₹ 20,000 and Buildings at ₹ 66,000.
- (c) For the purpose of calculating Sun's share of profits till the date of death, it was agreed that the same be calculated based on the average profits for the last 2 years.
- (d) The executor of the deceased partner is to be paid the entire amount due by means of cheque.

Prepare Sun's Capital Account to be rendered to his executor and also a journal entry for the settlement of the amount due to the executor.

4. (a) Lamp Ltd. took over assets of ₹ 9,40,000 and Liabilities of ₹ 1,40,000 of Komal & Co. at an agreed value of ₹ 7,80,000. Lamp Ltd. paid by issue of 11 % Debenture of ₹ 100 each at a premium of 20 %.

Pass necessary journal entries to record the above transactions in the books of Lamp Ltd.

(b) Give journal entries in each of the following cases if the face value of a debenture is ₹ 100:

- (i) A debenture issued at ₹ 105 repayable at ₹ 100
- (ii) A debenture issued at ₹ 100 repayable at ₹ 105
- (iii) A debenture issued at ₹ 110 repayable at ₹ 105

5. Deluxe Ltd. on 1<sup>st</sup> April 2015 acquired assets of the value of ₹ 6,00,000 and liabilities worth ₹ 70,000 from Moti & Co. ,at an agreed value of ₹ 5,50,000. Deluxe Ltd. issued 10 % Debentures of ₹ 100 each at a premium of 10 % in full satisfaction of purchase consideration. The Debentures were redeemable 3 years after 3 years later at a premium of 5%.

Pass journal entries to record the above including redemption of debentures.

6. Pass the necessary journal entries for the following transactions on the dissolution of the firm of Harish, Manish and Girish who were sharing profits of the firm in the ratio of 2:1. The various assets (other than cash) and outside liabilities have been transferred to Realization Account:

- (i) Harish agreed to pay off his brother's loan ₹ 10,000.
- (ii) Debtors' realized ₹ 12,000 (Book value ₹ 15,000).
- (iii) Manish took over all the investment at ₹ 12,000
- (iv) Sundry creditor's ₹ 20,000 were paid at 5 % discount.
- (v) Realization expenses amounted to ₹ 2,000
- (vi) Loss on realization was ₹ 10,200.

7. On 1<sup>st</sup> January 2010 Dream Ltd. issued 15,000, 11% Debentures of ₹ 100 each at par which repayable at a premium of 15% on 31<sup>st</sup> December 2014. On the date of maturity, the company decided to redeem the above mentioned Debenture as per the terms of issue, out of profits. The Profit & Loss Account shows a credit balance of ₹ 20,00,000 on this date. The offer was accepted by all the Debenture-holders and all the debentures were redeemed.

Pass the necessary journal entries in the books of the Company only for the redemption of Debentures, if the Company follows Sec.117 C of the Companies Act.

8. Radio, Television and Computer were partners in a firm sharing profits in the ratio of 6:3:1. On 31<sup>st</sup> March 2015 their Balance Sheet was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Land & Building		6,00,000
Radio:	6,00,000		Machinery		5,00,000
Television:	3,00,000		Stock		40,000
Computer:	1,00,000		Debtors		2,00,000

Creditors	10,00,000	Cash at bank	60,000
Profit & Loss Account	2,77,000		
	1,23,000		
	14,00,000		14,00,000

The firm was dissolved on 1<sup>st</sup> April 2015 and the assets and liabilities were settled as follows:

- Creditors accepted stock and Debtors in their full and final settlement of the claim.
- Land & Building was sold for ₹ 7, 00,000 and Machinery was taken over by Television by paying cash less than 30 % of its book value.

Pass necessary Journal Entries for dissolution of the firm.

9. Green, Red and Yellow are partners in a firm .On 1<sup>st</sup> April 2014 the balances in their capital accounts stood at ₹ 10, 00,000; ₹ 8, 00,000 and ₹ 6, 00,000 respectively. They shared profits in the proportion of 5:4:3 respectively. Partners are entitled to interest on capital @ 10% p.a and salary to Red @ ₹ 4,000 per month and a commission of ₹ 16,000 per quarter to Yellow as per the provisions of the partnership deed.

Green's share of profit (excluding interest on capital) is guaranteed at not less than ₹ 1,90,000 p.a. Red's share of profit (including interest on capital but excluding salary) is guaranteed at not less than ₹ 2,45,000 p.a .Any deficiency arising on that account shall be met by Yellow. The profits for the year ended 31<sup>st</sup> March 2015 amounted to ₹ 8, 32,000.

Prepare 'Profit and Loss Appropriation Account' for the year ended 31<sup>st</sup> March 2015.

10. The Balance Sheet of the firm of Book, Note-pad and Journal, who are sharing profits in the ratio of 7:4:3 respectively, as on 31<sup>st</sup> 2015 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
General Reserve	14,000	Cash	36,000
Bills Payable	25,000	Stock	69,000
Loan	28,000	Investments	89,000
Capitals:		Plant & Building	1,03,000
Book: 85,000		Note-pad's Loan	25,000
Note-pad: 65,000			
Journal: 1,05,000			
	2,55,000		
	3,22,000		3,22,000

Note-pad died on 30<sup>th</sup> June 2015.the partnership deed provided for the following on the death of a partner:

- Goodwill of the firm be valued at two years purchase of average profits for the last three years which were ₹ 90,000.
- Note-pad's share of profits till the date of his death was to be calculated on the basis of sales. The Sales for the year ended 31<sup>st</sup> March 2015 amounted to ₹ 9,00,000 and that from 1<sup>st</sup> April 2015 to 30<sup>th</sup> June 2015 ₹ 5,40,000.The profit for the year ended 31<sup>st</sup> March 2015 was ₹ 2,50,000.
- Interest on capital was to be provided @ 8 % p.a.
- According to Note-pad's will, the executors should donate his share to SNEH-SUDHA –an old-age home for girls.

Prepare Note-pad's capital Account to be rendered to his executor. Also identify the value being highlighted here.



11. Diya, Riya and Hiya were partners in a firm trading in educational materials. They were sharing profits in the ratio of 5:3:2. Their capitals as on 1<sup>st</sup> April 2014 were ₹ 3, 00,000; ₹ 4, 00,000 and ₹ 8, 00,000 respectively. After the drought in Odisha, all partners decided to help the drought -victims personally.

For this Diya withdrew ₹ 20,000 from the firm on 15 September 2014. Riya instead of withdrawing cash from the firm, took educational materials amount to ₹ 24,000 from the firm and distributed to the students among the drought victims. On the other hand Riya withdrew ₹ 2, 00,000 from his capitals on 1<sup>st</sup> January 2015 and provided a Medical Van in the drought area.

The partnership deed provides for charging interest on drawings @ 6 % p.a. After Final Accounts were prepared it was discovered that interest on drawings @ 6 % p.a. After accounts were prepared it was discovered that interest on drawings had not been charged.

Give the necessary adjusting journal entry and show working notes clearly. Also state any two values which the partners wanted to communicate to the society.

12. Ahmed and Shruti were partners in a firm sharing profits in the ratio of their capitals. On 31<sup>st</sup> March, 2015 their Balance Sheet was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	1,50,000	Bank	2,00,000
Workmen's Compensation Fund	3,00,000	Debtors	3,40,000
General Reserve	75,000	Stock	1,50,000
Ahmed's Current Account	25,000	Furniture	4,60,000
Capitals:		Machinery	8,20,000
Ahmed: 10,00,000		Shruti's Current Account	80,000
Shruti: 5,00,000			
<u>15,00,000</u>			
	20,50,000		20,50,000

On the above date the firm was dissolved.

- (i) Debtors were realized at a discount of 5%. Half of the Stock was taken over by Ahmed at 10 % discount less than the book value. Remaining stock was sold for ₹ 65,000.
- (ii) Furniture was taken over by Shruti for ₹ 1, 35,000. Machinery was sold as scrap for ₹ 74,000.
- (iii) Creditors were paid in full.
- (iv) Expenses on realization ₹ 8,000 were paid by Ahmed.

Prepare Realization Account.

13. On 1<sup>st</sup> January 2012, Satish and Harish entered into partnership with fixed capitals of ₹ 7, 00,000 and ₹ 3, 00,000 respectively. They were doing good business and were interested in its expansion but could not do the same because of lack of capital. Therefore, to have more capital, they admitted Ramesh as a new partner on 1<sup>st</sup> January 2013. Ramesh brought ₹ 10, 00,000 as capital and the new profit sharing ratio decided was 3:2:5. On 1<sup>st</sup> January 2015, another new partner Suresh was admitted with capital of ₹ 8, 00,000 for 1/10<sup>th</sup> share in the profits, which he acquired equally from Satish, Harish and Ramesh. .On 1<sup>st</sup> April 2015 Ramesh died and his share was taken over by Satish and Suresh equally.

Calculate:

- (i) The Sacrificing ratio of Satish and Harish on Ramesh's admission.
- (ii) New profit sharing ratio of Satish, Harish, Ramesh and Suresh on Suresh's admission.
- (iii) New profit sharing ratio of Satish and Suresh on Ramesh's death.

14. Konkan Ltd. had an authorized capital of ₹ 10,00,00,000 divided into 10,00,000 equity shares of ₹ 100 each. The company had already issued 2,00,000 shares. Dividend paid per share for the year ended 31<sup>st</sup> March 2010 was ₹ 30. The management decided to export its products to Arabian Countries. To meet the requirement of additional funds, the finance manager put up the following three alternate proposals before the Board of Directors:

- (i) Issue 47500 equity shares of ₹ 10 each at a premium of ₹ 100 per share.
- (ii) Obtain a long –term loan from bank which was available at 12 % per annum.
- (iv) Issue 11 % Debenture of ₹ 100 at par.

After evaluating these alternatives the company decided to issue 1,00,000, 11 % Debenture of ₹ 100 each on 1<sup>st</sup> April 2010. These Debentures were redeemable in four installments starting from the end of third year, which was as follows:

Year	Amount (₹)
III	10,00,000
IV	20,00,000
V	30,00,000
VI	40,00,000

Prepare 11 % Debenture Account from 1<sup>st</sup> April 2010 till all the debentures were redeemed.

15. Kamal, Bimal and Nirmal were partners sharing profits in the ratio of 3:2:1. On 31<sup>st</sup> March 2015 their firm was dissolved. The assets were realized and liabilities were paid off. The Accountant prepared Realization Account, Partners' Capital Accounts and Cash Account, but forgot to post few amounts in these accounts.

You are required to complete these below given accounts by posting correct amounts.

#### REALIZATION ACCOUNT

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Sundry Assets:		By Provision for bad debts	1000
Machinery	10,000	By Sundry Creditors	15,000
Stock	21,000	By Shanti's Loan	13,000
Debtors	20,000	By Repair & Renewal Reserve	1,200
Prepaid Insurance	400	By Cash---Assets sold:	
Investments	3,000	Machinery	8,000
	54,400	Stock	14,000
To Kamal's Capital A/C		Debtors	16,000
--- Shanti's Loan	13,000		38,000
To Cash-Creditors paid	15,000	By Kamal's Capital—Investments	2,000
To Cash—Dishonored bill paid	5,000		88,200
To Cash---Expenses	800		
	88,200		

**PARTNERS' CAPITAL ACCOUNT**

Dr.				Cr.			
Particulars	Kamal ₹	Bimal ₹	Nirmal ₹	Particulars	Kamal ₹	Bimal ₹	Nirmal ₹
To -----	-----	-----	-----	By -----	-----	-----	-----
To -----	-----	-----	-----	By -----	-----	-----	-----
To Cash	12,000	9,000		By Cash			1000
	23,000	15,000	3,000		23,000	15,000	3,000

**CASH ACCOUNT**

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	2,800	By Realization A/C	
To Realization A/C		---- Creditors paid	15,000
---- Sale of Assets	38,000	By	Dishonored bill
To Nirmal's Capital A/C	1,000	-----	5,000
		By Kamal's Capital Account	12,000
		By Bimal's Capital Account	9,000
	41,800		41,800

16. (a) A firm earned profits of ₹ 80,000; ₹ 1,00,000; ₹ 1,20,000 and ₹ 1,80,000 during 2011-12, 2012-13, 2013-14 and 2014-15 respectively. The firm has a capital investment of ₹ 5,00,000. A fair return on investment is 15% p.a.

Calculate goodwill of the firm based on three years purchase of average super profits of last four years.

(b) Farhan and Rehan are partners in a firm sharing profits in the ratio of 7:3. Farhan surrenders 2/10<sup>th</sup> from his share and Rehan surrenders 1/10<sup>th</sup> from his share in favour of Saddam, a new partner.

Calculate new profit sharing ratio and sacrificing ratio.

17. (a) Rosni Ltd. has an equity share capital of ₹ 10,00,000. The company earns a return on investment of 15% on its capital. The company needed funds for diversification. The finance Manager had the following options: (i) Borrow ₹ 5,00,000 @ 15% p.a from a bank payable in four equal quarterly installment starting from the end of the fifth year  
(ii) Issue ₹ 5,00,000; 11% Debentures of ₹ 100 each redeemable at a premium of 10% after 5 years  
(iii) Issue ₹ 5,00,000 equity share of ₹ 10 each with a buy back scheme after five years. The dividend rate for last five years is 15%.

To increase the return to the shareholders, the company opted for the alternative (ii). Pass necessary journal entries for the chosen alternative.

(b) Dawn Ltd. issued ₹ 6,00,000; 9% Debentures of ₹ 100 each redeemable after 3 years either by draw a lots or by purchase in the open market. at the end of three years, finding the market price of debentures at ₹ 95 per debentures, it purchased all its debentures for immediate cancellation. Pass necessary journal entries for cancellation of debentures

assuming the company has sufficient balance in Debenture Redemption Reserve and necessary investment has been made in due course of time.

### ANALYSIS OF FINANCIAL STATEMENTS

18. From the following Balance Sheets of Deccan Ltd as on 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2015 prepare a Cash Flow Statement.

Particulars	Note No.	2013-14 ₹	2014-15 ₹
<b><u>I EQUITY AND LIABILITIES :</u></b>			
1. Shareholders' Funds:			
(a) Share Capital	1	2,50,000	5,75,000
(b) Reserve and Surplus(Balance of Statement of Profit & Loss)	2	1,70,000	1,40,000
2. Non-current Liabilities:			
Long Term Borrowings	3	1,00,000	75,000
3. Current Liabilities:		NIL	NIL
		<u>5,20,000</u>	<u>7,90,000</u>
<b><u>II ASSETS:</u></b>			
(1) Non-Current Assets:			
(a) Fixed Assets			
(i)Tangible Assets		3,00,000	4,50,000
(2) Current Assets			
(a)Inventories		1,00,000	1,50,000
(b)Trade Receivables		75,000	1,25,000
(c)Cash & Cash equivalent		45,000	65,000
<b>TOTAL</b>		<u>5,20,000</u>	<u>7,90,000</u>

#### Notes to Accounts

Sl.No	Particulars	2013-14 ₹	2014-15 ₹
1	<u>Share Capital</u> Equity Share Capital 8% Preference Share Capital	2,00,000 50,000 <u>2,50,000</u>	5,00,000 75,000 <u>5,75,000</u>
2.	<u>Reserve &amp; Surplus</u> Statement of Profit & Loss General Reserve	1,25,000 45,000	25,000 1,15,000
3.	<u>Long Term Borrowings</u> 10% Debentures	1,00,000	75,000

Additional Information: During the year apart of a fixed assets costing ₹ 70,000 was sold for ₹ 15,000. Dividend paid ₹ 24,000.

19. The Statement of Profit & Loss of Shanti Ltd. show a profit of ₹ 1, 00,000 after considering the following items:

- (a) Depreciation on Fixed Assets ₹ 20,000
- (b) Writing of preliminary Expenses ₹ 10,000
- (c) Loss on sale of Furniture ₹ 1,000
- (d) Provision for Taxation ₹ 1, 60,000
- (e) Transfer to General Reserve ₹ 14,000
- (f) Profit on sale of Machinery ₹ 6,000

The following additional information is available:

Particulars	2013-14 ₹	2014-15 ₹
Debtors	24,000	30,000
Creditors	20,000	30,000
Bills Receivable	20,000	17,000
Bills Payable	16,000	12,000
Prepaid Expenses	400	600

Calculate cash flow from operating activities.

20. From the following Balance Sheets of Sampurna Ltd as on 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2015 prepare a Cash Flow Statement as per AS-3 Revised.

Particulars	Note No.	2013-14 ₹	2014-15 ₹
<b><u>I EQUITY AND LIABILITIES :</u></b>			
(1)Shareholders' Funds:			
(a)Share Capital		12,000	15,000
(b)Reserve and Surplus(Balance of Statement of Profit & Loss)		5,000	6,000
(2)Non-current Liabilities:			
Long Term Borrowings		NIL	NIL
(3)Current Liabilities:			
Creditors		15,000	11,000
		32,000	32,000
<b><u>II ASSETS:</u></b>			
(1)Non-Current Assets:			
(b) Fixed Assets			
(i)Tangible Assets(Furniture)		5,000	8,000
(2)Current Assets			
(a)Inventories		6,000	4,000
(b)Trade Receivables		10,000	8,000
(c)Cash & Cash equivalent		11,000	12,000
<b>TOTAL</b>		32,000	32,000

Additional Information:

A Dividend of ₹ 3,000 was paid during the year 2014-15.

21. From the following Balance Sheets of Hobby Ltd as on 31<sup>st</sup> March 2014 and 31<sup>st</sup> March 2015, prepare a Cash Flow Statement as per AS 3(Revised).

Particulars	Note No.	2013-14 ₹	2014-15 ₹
<b>I EQUITY AND LIABILITIES :</b>			
(1)Shareholders' Funds:			
(a)Share Capital		90,000	1,30,000
(b)Reserve and Surplus(Balance of Statement of Profit & Loss	1	50,000	85,000
(c)Preliminary Expenses		(2000)	(1000)
(2)Non-current Liabilities:			
Long Term Borrowings		NIL	NIL
(3)Current Liabilities:			
Trade Creditors		17,400	22,000
		<u>1,55,400</u>	<u>2,36,000</u>
<b>II ASSETS:</b>			
(1)Non-Current Assets:			
(c) Fixed Assets			
(i)Tangible Assets		93,400	1,66,000
(2)Current Assets			
(a)Inventories		22,000	26,000
(b)Trade Receivables		36,000	39,000
(c)Cash & Cash equivalents		4,000	5,000
<b>TOTAL</b>		<b>1,55,000</b>	<b>2,36,000</b>

#### Notes to Accounts

Sl.No	Particulars	2013-14 ₹	2014-15 ₹
1	<u>Reserve &amp; Surplus</u> Statement of Profit & Loss General Reserve	20,000 30,000	30,000 55,000

#### Additional Information:

- (1) Depreciation charged on Fixed Assets for the year 2014-15 was ₹ 20,000.
- (2) Income Tax ₹ 5,000 has been paid in advance during the year.

22. From the following Balance Sheets of Holy Ltd. Prepare Cash Flow Statement for the year ended 31<sup>st</sup> March 2015.

Name of the Company: HOLY LTD.

Balance Sheet as at 31<sup>st</sup> March 2014 and 2015

Particulars	Note No.	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
<b>I. EQUITY AND LIABILITIES</b>			
1) Shareholder's Funds			
(a) Share Capital	1	2,50,000	3,50,000
(b) Reserves and Surplus	2	1,00,000	1,75,000
(c) Money received against share warrants			
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(a) Long-term borrowings	3	50,000	25,000
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities			
(d) Long term provisions			
(4) Current Liabilities			
(a) Short-term borrowings			
(b) Trade payables	4		
(c) Other current liabilities	5	27,500	26,000
(d) Short-term provisions	6	25,000	35,000
		15,000	25,000
<b>Total</b>		<b>4,67,500</b>	<b>6,36,000</b>
<b>II. Assets</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	7	2,50,000	2,50,000
(ii) Intangible assets	8	50,000	47,500
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current investments	9	2,500	50,000
(c) Deferred tax assets (net)			
(d) Long term loans and advances			
(e) Other non-current assets			
(2) Current assets			
(a) Current investments			
(b) Inventories		25,000	65,000
(c) Trade receivables		40,000	60,000
(d) Cash and cash equivalents		1,00,000	1,63,500
(e) Short-term loans and advances			
(f) Other current assets			
<b>Total</b>		<b>4,67,500</b>	<b>6,36,000</b>

Notes to Accounts:

Note No.	Particulars	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
1	Share Capital: Equity Share Capital	2,50,000	3,50,000
2	Reserve & Surplus: Statement of Profit & Loss	1,00,000	1,75,000
3	Long Term Borrowings: Bank Loan	50,000	25,000
4.	Trade Payables: Creditors	27,500	26,000
5.	Other current liabilities: Proposed Dividend	25,000	35,000
6.	Short-term provisions: Provision for Taxation	15,000	25,000
7.	Tangible Assets: Equipment	2,50,000	2,50,000
8.	Intangible assets: Patents	50,000	47,500
9.	Non-current investments: Investments	2,500	50,000

Additional information:

- (1) During the year Equipment costing ₹ 50,000 was purchased. Loss on sale of equipment amounted to ₹ 6,000. ₹ 9000 depreciation was charged on equipment.

23. From the following Balance Sheets of Credential Ltd. Prepare Cash Flow Statement (As per AS-3 revised) for the year ended 31<sup>st</sup> March 2015.

Name of the Company: CREDENTIAL LTD.  
Balance Sheet as at 31<sup>st</sup> March 2014 and 2015

Particulars	Note No.	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	1	8,00,000	12,00,000
(b) Reserves and Surplus	2	4,00,000	3,50,000
(c) Money received against share warrants			
<b>(2) Share application money pending allotment</b>			
<b>(3) Non-Current Liabilities</b>			
(a) Long-term borrowings	3	3,50,000	4,40,000
(b) Deferred tax liabilities (Net)			



(c) Other Long term liabilities (d) Long term provisions (4) Current Liabilities  (a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions	4	50,000	60,000
Total		16,00,000	20,50,000
II. Assets (1)Non-current assets (a) Fixed assets (i) Tangible assets (ii) Intangible assets (iii) Capital work-in-progress (iv) Intangible assets under development (b) Non-current investments (c) Deferred tax assets (net) (d) Long term loans and advances (e) Other non-current assets (2)Current assets (a) Current investments (b) Inventories (c) Trade receivables (d) Cash and cash equivalents (e) Short-term loans and advances (f) Other current assets			
Total		16,00,000	20,50,000

Notes to Accounts:

Note No.	Particulars	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
1	Share Capital: Equity Share Capital	8,00,000	12,00,000
2	Reserve & Surplus: Statement of Profit & Loss	4,00,000	3,50,000
3	Long Term Borrowings: Bank Loan	3,50,000	4,40,000
4.	Trade Payables: Creditors	50,000	60,000

Additional information:

- (a) The company paid interest ₹ 36,000 on its long term borrowings.
- (b) Depreciation charged on tangible fixed assets was ₹ 1, 20,000.

24. From the following Balance Sheets of Giant Ltd. Prepare Cash Flow Statement (As per AS-3 revised) for the year ended 31<sup>st</sup> March 2015.

Name of the Company: GIANT LTD.  
Balance Sheet as at 31<sup>st</sup> March 2014 and 2015

Particulars	Note No.	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholder's Funds			
(a) Share Capital	1	1,50,000	2,00,000
(b) Reserves and Surplus		75,000	90,000
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(a) Long-term borrowings		87,500	87,500
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities			
(d) Long term provisions			
(4) Current Liabilities			
(a) Short-term borrowings			
(b) Trade payables			
(c) Other current liabilities		76,000	10,000
(d) Short-term provisions			
<b>Total</b>		<b>3,88,500</b>	<b>3,87,500</b>
<b>II. Assets</b>			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets		1,40,000	1,87,500
(ii) Intangible assets			
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current investments		1,02,500	1,05,500
(c) Deferred tax assets (net)			
(d) Long term loans and advances			
(e) Other non-current assets			
(2) Current assets			
(a) Current investments		33,500	12,500
(b) Inventories		5,500	4,000
(c) Trade receivables		23,000	9,500
(d) Cash and cash equivalents		84,000	68,500
(e) Short-term loans and advances			
(f) Other current assets			
<b>Total</b>		<b>3,88,500</b>	<b>3,87,500</b>

Notes to Accounts:

Note No.	Particulars	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
1	Reserve & Surplus: Statement of Profit & Loss	75,000	90,000

25. From the following Balance Sheets of Konark Ltd. Prepare Cash Flow Statement for the year ended 31<sup>st</sup> March 2015.

Name of the Company: KONARK LTD.  
Balance Sheet as at 31<sup>st</sup> March 2014 and 2015

Particulars	Note No.	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
<b>I. EQUITY AND LIABILITIES</b>			
(1) Shareholder's Funds			
(a) Share Capital	1	22,00,000	24,00,000
(b) Reserves and Surplus		4,00,000	6,00,000
(c) Money received against share warrants			
(2) Share application money pending allotment			
(3) Non-Current Liabilities			
(a) Long-term borrowings		3,40,000	4,80,000
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities			
(d) Long term provisions			
(4) Current Liabilities			
(a) Short-term borrowings			
(b) Trade payables			
(c) Other current liabilities		4,08,000	3,58,000
(d) Short-term provisions		1,54,000	1,00,000
		<b>35,02,000</b>	<b>39,38,000</b>

II. Assets			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	2	17,00,000	21,40,000
(ii) Intangible assets	3	2,24,000	80,000
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current investments		2,500	50,000
(c) Deferred tax assets (net)			
(d) Long term loans and advances			
(e) Other non-current assets			
(2) Current assets			
(a) Current investments		3,00,000	4,80,000
(b) Inventories		2,42,000	2,58,000
(c) Trade receivables		2,86,000	3,40,000
(d) Cash and cash equivalents		7,50,000	6,40,000
(e) Short-term loans and advances			
(f) Other current assets			
Total		35,02,000	39,38,000

Notes to Accounts:

Note No.	Particulars	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
1	Reserve & Surplus: Statement of Profit & Loss	4,00,000	6,00,000
2.	Tangible Assets: Machinery Less: Accumulated Depreciation	20,00,000 (3,00,000)	25,40,000 (4,00,000)
3.	Intangible assets: Goodwill	2,24,000	80,000

Additional information:

- (1) During the year a piece of Machinery costing ₹ 48,000 on which accumulated depreciation was ₹32,000 was sold for ₹ 12000.

26. From the following Balance Sheets of Nice-time Ltd. Prepare Cash Flow Statement (As per AS-3 revised) for the year ended 31<sup>st</sup> March 2015.

Name of the Company: NICETIME LTD.  
Balance Sheet as at 31<sup>st</sup> March 2014 and 2015

Particulars	Note No.	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital		10,00,000	14,00,000
(b) Reserves and Surplus	1	4,00,000	5,00,000

(c) Money received against share warrants (2) Share application money pending allotment (3) Non-Current Liabilities			
(a) Long-term borrowings (b) Deferred tax liabilities (Net) (c) Other Long term liabilities (d) Long term provisions (4) Current Liabilities		1,40,000	5,00,000
(a) Short-term borrowings (b) Trade payables (c) Other current liabilities (d) Short-term provisions	2	60,000 60,000	1,00,000 80,000
<b>Total</b>		<b>16,60,000</b>	<b>25,80,000</b>
<b>II .Assets</b>			
(1)Non-current assets			
(a) Fixed assets			
(i) Tangible assets	3	9,00,000	16,00,000
(ii) Intangible assets	4	2,00,000	2,40,000
(iii) Capital work-in-progress (iv) Intangible assets under development			
(b) Non-current investments (c) Deferred tax assets (net) (d) Long term loans and advances (e) Other non-current assets			
(2)Current assets			
(a) Current investments (b) Inventories (c) Trade receivables (d) Cash and cash equivalents (e) Short-term loans and advances (f) Other current assets		2,00,000 3,00,000 60,000	2,50,000 5,00,000 90,000
<b>Total</b>		<b>16,60,000</b>	<b>25,80,000</b>

Notes to Accounts:

Note No.	Particulars	31 <sup>st</sup> March 2014 ₹	31 <sup>st</sup> March 2015 ₹
1	Reserve & Surplus: Statement of Profit & Loss	4,00,000	5,00,000
2	Short Term Provision: Provision for Tax	60,000	80,000
3	Tangible Assets: Machinery	10,00,000	17,60,000

	Less: Accumulated Depreciation	(1,00,000)	(1,60,000)
4.	Intangible Assets: Goodwill	2,00,000	1,40,000

Additional information:

(c) Tax paid during the year amounted to ₹ 70,000.

### E.8 MARKS QUESTIONS

#### ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES

1. Ujjal Ltd. invited application for issuing 70,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On application	: ₹ 4 per share (including premium)
On allotment	: ₹ 3 per share
On first and final call	: balance amount

Application were received for 1, 00,000 shares. Applications for 10,000 shares were rejected. Shares were allotted to the remaining applicants on pro-rata basis. Excess money received with applications were adjusted towards sum due on allotments. All calls were made and were duly received except first and final call on 700 shares allotted to Alex. His shares were forfeited. The forfeited shares were re-issued for ₹ 77,000 fully paid up to Rajesh.

Pass necessary journal entries in the books of Ujjal Ltd. for the above transactions.

2. Carnival Ltd. invited application for issuing 80,000 equity shares of ₹ 10 each at par. The amount was payable as follows:

On application	: ₹ 4 per share
On allotment	: ₹ 3 per share
On first and final call	: balance amount

Application were received for 1, 10,000 shares. Applications for 10,000 shares were rejected. Shares were allotted to the remaining applicants on pro-rata basis. Excess money received with applications were adjusted towards sum due on allotments. All calls were made and were duly received except on Jagannath's share. He applied for 2000 shares failed to pay allotment and call money. His shares were forfeited. The forfeited shares were re-issued for ₹ 24,000 fully paid up to Chandrachur.

Pass necessary journal entries in the books of Carnival Ltd. for the above transactions.

3. Raasi, Shadique and Teesta are partners in a firm sharing profits in the ratio of 2:2:1. On 31<sup>st</sup> March 2015 their Balance Sheet was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Cash		51,300
Raasi:	80,000		Bills Receivable		10,800
Shadique:	50,000		Debtors		35,600
Teesta:	40,000		Stock		44,600

			Furniture	7,000
		1,70,000	Plant & Machinery	19,500
Profit & Loss Account		9,000	Buildings	48,000
Sundry Creditors		25,000		
Bank loan		12,800		
		2,16,800		2,16,800

Shadique retired from the firm on 1<sup>st</sup> April 2015 and his share was ascertained on the revaluation of assets as follows:

Stock ₹ 40,000; Furniture ₹ 6,000; Plant & Machinery ₹ 18,000; Building ₹ 40,000; ₹1,700 were to be provided for doubtful Debts. The Goodwill of the firm was valued at ₹ 12,000.

Shadique was to be paid ₹ 18,080 in cash on retirement and the balance in three equal yearly installments.

Prepare Revaluation Account, Partners' Capital Accounts, Shadique's Loan Account and Balance Sheet (after Shadique's retirement).

4. Deelip, and Eshan are partners in a firm sharing profits in the ratio of 3:1. On 1<sup>st</sup> April 2015 they admitted Fateema as a new partner for 1/4<sup>th</sup> share in the firm which she acquires entirely from Deelip. Their Balance Sheet on 31<sup>st</sup> March 2015 was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Land & Buildings		50,000
Deelip :	1,00,000		Machinery		60,000
Eshan:	70,000		Stock		15,000
		1,70,000	Debtors	40,000	
General Reserve		32,000	Less-Provision for Bad Debts	<u>3,000</u>	37,000
Sundry Creditors		54,000	Investments		50,000
			Cash		44,000
		2,56,000			2,56,000

Fateema will bring ₹ 40,000 as his capital and the other terms agreed upon were:

- Goodwill of the firm was valued at ₹ 24,000.
- Land & Building were valued at ₹ 70,000
- Provision for Bad Debts was found to be in excess by ₹ 800.
- A liability for ₹ 2,000 included in the sundry creditors was not likely to arise.
- The capital of the partners be adjusted on the basis of Fateema's contribution of capital to the firm.
- Excess or shortfall ,if any ,to be transferred to current accounts

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

5. Jheelam and Ganga are partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet on 31<sup>st</sup> March 2015 was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Cash		14,800
Jhelam :	70,000		Debtors	20,500	
Ganga:	60,000		Less-Provision Doubtful Debts	<u>300</u>	20,200

Reserve	1,30,000	Stock	20,000
Bank Overdraft	15,000	Plant	40,000
Bills payable	17,000	Buildings	70,000
Creditors	3,000	Motor Vehicle	20,000
	20,000		
	1,85,000		1,85,000

They agree to admit Mandavi for 1/4<sup>th</sup> share from 1<sup>st</sup> April 2015 subject to the following terms:

- (i) Mandavi to bring in capital equal to 1/4<sup>th</sup> of the total capital of Jhelam & Ganga after all adjustments including premium for goodwill.
- (ii) Buildings to be appreciated by ₹ 14,000 stock to be depreciated by ₹ 6,000.
- (iii) Provision for Doubtful Debts (on debtors) to be raised to ₹ 1,000.
- (iv) Mandavi's share of goodwill/premium was calculated at ₹ 10,000

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

6. Ajmal, Bahadur and Chaman are partners in a firm sharing profits in proportion to their capitals. On 31<sup>st</sup> March 2015 their Balance Sheet was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Buildings	1,00,000
Ajmal: 90,000		Machinery	48,000
Bahadur: 60,000		Stock	18,000
Chaman: 30,000		Debtors 20,000	
	1,80,000	Less: Provision for doubtful debts 400	19,600
Reserve 6,000		Cash	16,000
Sundry Creditors 15,600			
	2,01,600		2,01,600

On the above date Bahadur retired owing to ill health and the following adjustments were agreed upon:

- (i) Buildings to be appreciated by 10 %
- (ii) Provision for doubtful debts be increased to 5 % on debtors.
- (iii) Machinery be depreciated by 15 %.
- (iv) Goodwill of the firm be valued at ₹ 36,000 and be adjusted into the Capital; Accounts of Ajmal and Chaman who will share profits in future in the ratio of 3:1.
- (v) A provision be made for outstanding repair bill of ₹ 3,000.
- (vi) Included in the value of creditors is ₹ 1,800 for an outstanding legal claim, which is not likely to arise.
- (vii) Out of the insurance premium paid ₹ 2,000 is for the next year. The amount was debited to P/L A/C.
- (viii) The partners decide to fix the capital of the new firm as ₹ 1,20,000 in the profit sharing ratio.
- (ix) Bahadur to be paid ₹ 9,000 in cash and the balance to be transferred to his loan account.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm (after Bahadur retirement).



7. Atlantic Pumps Ltd issued to the public for subscription 40,000 shares of ₹ 10 each at a premium of 50% payable as ₹ 4 each on application; ₹ 6 each on allotment (including premium), ₹ 3 each on first call and ₹ 2 each on final call. Applications were received for 60,000 shares and allotment was made pro-rata to 80 % of applicants. Rajani to whom 2000 shares were allotted paid only the application money and Sajni who had applied for 3000 shares, paid the entire calls money due along with the allotment money.

Pass necessary journal entries to record the above transactions in the books of Atlantic Pumps Ltd.

8. Permanent Settlement Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance in equal installments over two calls. Applications were received for 92000 shares and the allotments was made as under:

A. Applicants of 40,000 shares –Allotted 30,000 shares

B. Applicants of 40,000 shares –Allotted 20,000 shares

C. Applicants of 12,000 shares –Allotted NIL.

Santosh who had applied for 2000 shares (Category A) did not pay any money other than application money.

Chitra who was allotted 800 shares (Category B) paid the call money due along with allotment.

All other allottees paid their dues as per schedule.

Pass necessary journal entries to record the above transactions in the books of Permanent Settlement Ltd.

9. High Time Ltd issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows:

₹ 3 on Application.

₹ 6 on Allotment (including premium) and

₹ 3 on Call.

Application were received for 75,000 shares and pro-rata allotment was made as follows:

To the applicants of 40,000 shares, 30,000 shares were issued and for the rest 20,000 shares were issued. All moneys due were received except the allotment and call money from Divya who had applied for 1200 shares (out of the group of 40,000 shares). All her shares were forfeited. The forfeited shares were re-issued for ₹ 8 per share fully paid-up.

Pass necessary journal entries for the above transactions.

10. Credibility Ltd. invited applications for issuing 2, 00,000 equity shares of ₹ 10 each at par. The amount was payable as follows:

On Application- ₹ 2 per share.

On Allotment - ₹ 3 per share

On first and final call –balance amount.

The issue was undersubscribed to the extent of 20,000 shares. Shares were allotted to all the applicants. All calls were made and were duly received. Ratna to whom 1500 shares were allotted, failed to pay allotment and call money and Ramprasad to whom 1200 shares were allotted paid full amount due at the time of allotment. The shares on which allotment and call money was not received were forfeited. 1000 shares out of the forfeited shares were re-issued at ₹ 8 per share fully paid-up.

Pass necessary Journal Entries in the books of Credibility Ltd. for the above transactions.

11. Rajat, Ravi and Rasul were partners sharing profits in the ratio of 3:1:1. Their Balance Sheet as on 31<sup>st</sup> March 2015 was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Sundry Assets		17,000
Rajat:	27,500		Stock		7,800
Ravi:	10,000		Debtors	24,200	
Rasul:	7,000		Less: Provision for doubtful debts	1,200	23,000
	<hr/>	44,500	Bills Receivable		1,000
Loan		1,500	Cash		3,200
Sundry Creditors		6,000			
		52,000			52,000

They want to dissolve the firm on the above date and the following was agreed upon:

- Rajat to take over Bills Receivables at ₹ 800, debtors amounting to ₹ 20,000 at ₹ 17,200 and the creditors of ₹ 6,000 were to be paid by him at this figure.
  - Ravi is to take over all stock for ₹ 7,000 and some sundry assets at ₹ 7,200 (being 10% less than the book value).
  - Rasul to take over remaining sundry assets at 90% of the book value and assume the responsibility of discharge of loan together with accrued interest of ₹ 300.
  - The expenses of realization were ₹ 270.
- The remaining debtor were sold to a debt collecting agency at 50% of the book value.

Prepare realization Account, Partners' Capital Account and Cash account.

12. Ravikant and Sasikant are partners in a firm sharing profits in the ratio of 3:1. Their Balance Sheet on 31<sup>st</sup> March 2015 was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Cash at Bank		2,000
Ravikant :	6,000		Debtors	6,500	
Sasikant:	4,000		Less-Provision Doubtful Debts	500	6,000
	<hr/>	10,000	Stock		3,000
General Reserve		2,000	Investment		5,000
Employees' Provident Fund		1,200			
Creditors		2,800			
		16,000			16,000

They agree to admit Manikant for 1/5<sup>th</sup> share from 1<sup>st</sup> April 2015 subject to the following terms:

- Manikant shall bring ₹ 6000 as his share of premium.
- That unaccounted accrued income of ₹ 100 to be provided for.
- Market value of investment was ₹ 4,500.
- A debtor whose due of ₹ 500 was written off as bad debts paid ₹ 400 in full settlement.
- Manikant to bring in capital to the extent of 1/5<sup>th</sup> of the total capital of the new firm.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

13. Dewdrops Ltd. invited applications for issuing 10000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On Application ₹ 1

On Allotment ₹ 2

On First Call ₹ 3

On Second and Final Call-balance.

The issue was fully subscribed. Rimjhim to whom 100 shares were allotted failed to pay the allotment money and her shares were forfeited immediately after allotment. Saheen to whom 150 shares were allotted failed to pay the first call. Her shares were also forfeited after first call. Afterwards the second and final call was made. Moonmoon to whom 50 shares were allotted failed to pay the second and final call. Her shares were also forfeited. All the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal Entries in the books of Dewdrops Ltd.

14. Pearl Ltd. invited applications for issuing 10, 00,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On Application ₹ 5(including premium)

On Allotment ₹ 4

On First and Final Call ₹ 3

Applications for 15, 00,000 shares were received. Applications for 3, 00,000 shares were rejected and pro-rata allotment was made to the remaining applicants. Excess application money was utilized towards sums due on allotment. Gangaram who had applied for 24,000 shares failed to pay the allotment and call money. His shares were forfeited. Out of the forfeited shares 10,000 shares were re-issued for ₹ 8 per share fully paid-up.

Pass necessary Journal Entries in the books of Pearl Ltd.

15. Xenifer, Yusuf and Zaki were partners in a firm sharing profits in the ratio of 5:3:2. On 31<sup>st</sup> March 2015 their Balance Sheet was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Buildings		50,000
Xenifer:	75,000		Patents		15,000
Yusuf:	62,500		Machinery		75,000
Zaki:	37,500		Stock		37,500
			Debtors		20,000
			Cash at Bank		20,000
		1,75,000			
Sundry Creditors		42,500			
		2,17,500			2,17,500

Zaki died on 31<sup>st</sup> July 2015. It was agreed that:

(i) Goodwill be valued at 2 ½ year's purchase of the average profits of the last four years, which were as follows:

Years	Profits ₹
2014-15	37,500
2013-14	40,000

2012-13	30,000
2011-12	32,500

- (ii) Machinery be valued at ₹ 70,000; Patents at ₹ 20,000 and Building at ₹ 62,500.
- (iii) For the purpose of calculating Zaki's share of profits in the year of death the profits in 2015-16 should be taken to have been accrued on the same scale as in 2014-15.
- (iv) A sum of ₹ 17,500 was paid immediately to the executors of Zaki and the balance was paid in four half-yearly installment together with interest at 12 % p.a starting from 31<sup>st</sup> January 2016.

Give necessary journal entries to record the above transactions and Zaki's executors' account till the payment of installment due on 31<sup>st</sup> January 2016.

16. Madhur and Virat were partners in a firm with capitals of ₹ 1, 20,000 and ₹ 1, 60,000 respectively. On 1<sup>st</sup> April 2014 they admitted Yusuf as a partner for 1/4<sup>th</sup> share in profits on his payment of ₹ 2,00,000 as his capital and ₹ 90,000 for his 1/4<sup>th</sup> share of goodwill.

On that date creditors of Madhur and Virat were ₹ 60,000 and Bank overdraft was ₹ 15,000. Their Assets apart from cash included Stock ₹ 10,000; Debtor ₹ 40,000 ; Plant & Machinery ₹ 80,000; Land & Building ₹ 2,00,000. It was agreed that stock should be depreciated by ₹ 2000; Plant & Machinery by 20 % ; ₹ 5,000 should be written off as bad debts and Land & Building should be appreciated by 25 %.

Prepare Revaluation Account, Partners' Capital Account and Balance Sheet of the new firm (after Yusuf's admission).

17. Random Ltd. invited applications for issuing 70,000 Equity shares of ₹ 10 each at a premium of ₹ 35 per share .The amount was payable as follows:

On Application ₹ 15 (including ₹ 12 premium)

On Allotment ₹ 10 (including ₹ 8 premium)

On First and Final Call-Balance.

Applications for 65,000 shares were received and allotment was made to all the applicants. A shareholder, Rashmi, who was allotted 2000 shares, failed to pay the allotment money. Her shares were forfeited immediately after allotment. Afterwards, the first & final call was made. Sita, who had 3000 shares, failed to pay the first & final call .Her shares were also forfeited. Out of the forfeited shares, 4000 shares were re-issued at ₹ 50 per share fully paid up. The re-issued shares included all the shares of Rashmi.

Pass necessary Journal Entries for the above transactions in the books of Random Ltd.

18. Ashirbad Ltd, invited application for issuing ₹ 75,000 Equity Shares of ₹ 10 each at par. The amount was payable as follows:

On application ₹ 2 per share.

On Allotment ₹ 3 per share

On First and Final Call –Balance.

Applications for 1, 50,000 shares were received. Applications for 25,000 shares were rejected and application money of these applicants was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with these applicants was adjusted towards sums due on allotment. Siyaram, who had applied for 1250 shares, failed to pay allotment and first and final call money. Mayadhar did not pay the first and final call on his shares. All these shares were

forfeited and later on 1000 of these shares were re-issued at ₹ 17 per share fully paid-up .The re-issued shares included all the shares of Siyaram.

Pass the necessary Journal Entries in the books of Ashirbad Ltd for the above transactions.

19. Alakananda and Maitree were partners in a firm sharing profits in the ratio of 5:3. On 31<sup>st</sup> March 2015 they admitted Mahanadi as a new partner for 1/5<sup>th</sup> share in the profits. The new profit sharing ratio was 5:3:2.On Mahanadi's admission the Balance Sheet of the firm was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Land & Building	1,50,000
Alakananda :	1,50,000	Machinery	40,000
Maitree:	90,000	Patents	5,000
		Stock	27,000
Provision for bad debt	1,200	Debtors	47,000
Creditors	20,200	Cash	4,200
Workmen Compensation Fund	32,000	Profit & Loss Account	20,000
	2,93,200		2,93,200

On Mahanadi's admission it was agreed that

- Mahanadi will bring ₹ 40,000 as her capital and ₹ 16,000 for her share of goodwill premium, half of which was withdrawn by Alakananda and Maitree;
- A provision of 2 1/2% for bad and doubtful debts was to be created;
- Included in the creditors was an item of ₹ 2,500 which was not to be paid;
- A provision was to be made for an outstanding bill for electricity ₹ 3,000;
- A claim of ₹ 325 for damages against the firm was likely to be admitted. Provision for the same was to be made.

After the above adjustments, the capitals of Alakananda and Maitree were to adjusted on the basis of Mahanadi's capital. Actual cash was to be brought in or to be paid off to Alakananda and Maitree as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

20. Kapil,Sunil and Mahendra were partners in a firm sharing profits in the ratio of 3:2:5.Their Balance Sheet as on 31<sup>st</sup> December,2014 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Capitals:		Goodwill	3,00,000
Kapil:	3,00,000	Land & Building	5,00,000
Sunil:	2,00,000	Machinery	1,70,000
Mahendra:	5,00,000	Stock	30,000
	10,00,000	Debtors	1,20,000
General Reserve	1,00,000	Cash	45,000
Loan from Sunil	50,000	Profit & Loss Account	60,000
Sundry Creditors	75,000		
	12,25,000		12,25,000

On 14<sup>th</sup> March 2015, Sunil died.

The partnership deed provided that on the death of a partner the executor of the deceased partner is entitled to:

- (i) Balance in Capital Account.
  - (ii) Share in profits up to the date of death on the basis of last year's profits.
  - (iii) His share in profit/loss on revaluation of assets and reassessment of liabilities which were as follows:
    - (a) Land & Building was to be appreciated by ₹ 1,20,000
    - (b) Machinery was to be depreciated to ₹ 1,35,000 and stock to ₹ 25,000.
    - (c) A provision of 2 1/2 % for bad and doubtful debts was to be created on Debtors.
  - (iv) The net amount payable to Sunil's executors was transferred to his Loan Account which was paid later.
- Prepare revaluation Account Partners' Capital Account, Sunil's Executors Account and Balance Sheet of Kapil and Mahendra who decided to contribute the business keeping their capital balances in their new profit sharing ratio. Any surplus or deficit to be transferred to current account of the partners.

21. Suraj and Vasudha are partners sharing profits in the ratio 2:1. Since both of them are specially abled sometimes they find it difficult to run the business on their own. Moon, a common friend, decided to help them. Therefore they admit her into partnership for 1/3<sup>rd</sup> share in profits. She brings ₹ 60,000 for goodwill and proportionate capital. At the time of admission of Moon, the Balance Sheet of Suraj and Vasudha was as under:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Plant		66,000
Suraj:	70,000		Furniture		30,000
Vasudha:	60,000		Investments		40,000
		1,30,000	Stock		46,000
General Reserve		18,000	Debtors	38,000	
Bank Loan		18,000	Less: Provision for Bad debts	<u>4,000</u>	34,000
Sundry Creditors		72,000	Cash		22,000
		2,38,000			2,38,000

It was decided to

- (i) Reduce the value of Stock by ₹ 10,000.
- (ii) Plant is to be valued at ₹ 80,000
- (iii) An amount of ₹ 3000 included in Creditors was not payable.
- (iv) Half of the Investments were taken over by Suraj and remaining were valued at ₹ 25,000.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of reconstituted firm. Also identify the value being conveyed in the question.

22. Pinaki and Ranjan were partners in a firm sharing profits in the ratio of 3:2. In spite of repeated reminders by the authorities, they kept dumping hazardous materials into a nearby river. The court ordered for the dissolution of their partnership firm on 31<sup>st</sup> March 2015. Pinaki was deputed to realize the assets and to pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm on 31<sup>st</sup> March 2015 was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Creditors		80,000	Building		1,20,000
Mrs. Pinaki's Loan		40,000	Investments		30,600
Ranjan's Loan		24,000	Debtors	34,000	

Investment Fluctuation Fund	8,000	Less- Provision for doubtful debts	<u>4,000</u>	30,000
Capitals:		Bills Receivable		37,400
Pinaki:	42,000	Cash		6,000
Ranjan:	42,000	Profit & Loss Account		8,000
	<u>84,000</u>	Goodwill		4,000
	2,36,200			2,36,000

Following was agreed upon:

- (i) Pinaki agreed to pay off his wife's loan.
- (ii) Debtors realized ₹ 24,000.
- (iii) Ranjan took away all investment at ₹ 27,000.
- (iv) Building realized ₹ 1, 52,000.
- (v) Creditors were payable after 2 months. They were paid immediately at 10 % discount.
- (vi) Bills Receivable were settled at a loss of ₹ 1,400.
- (vii) Realization expenses amounted to ₹ 2,500.

Prepare Realization Account, Partners' Capital Account and Cash account to close the books of the firm. Identify the value being conveyed in the question.

23. Holistic Ltd. issued for public subscription 1, 50,000 shares of the value ₹ 100 each at a premium of 10 % payable per share as follows:

₹ 25 on application, ₹ 45 on allotment and ₹ 40 on call.

The company received applications for 3, 00,000 shares. The allotment was done as under:

- (a) Applicants of 30,000 shares were allotted 10,000 shares.
- (b) Applicants of 1, 40,000 shares were allotted 80,000 shares.
- (c) Remaining applicants were allotted the balance shares.

After adjusting excess money in allotment, the money was returned. Hemant, a shareholder who had applied for 7,000 shares of group (b), failed to pay allotment and call money. Nishant, another shareholder who was allotted 6,000 shares, paid the call money along with the allotment. Nishant also belong to group (b).

Pass necessary Journal entries to record the above transactions in the books of the company. Show your working notes clearly.

24. Record the journal entries for forfeiture and reissue in the following cases:

- (a) Xylem Ltd. forfeited 200 shares of ₹ 100 each, ₹ 70 called up, on which the shareholders had paid application and allotment money of ₹ 50 per share. Out of these, 150 shares were re-issued to Surinder as ₹ 70 paid up for ₹ 80 per share.
- (b) Yok Ltd forfeited 180 shares of ₹ 10 each, ₹ 8 called up, issued at a premium of ₹ 2 per share to Farhan for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 160 shares were re-issued to Govind as ₹ 8 called up for ₹ 10 per share fully paid up.
- (c) Zeal Ltd. forfeited 30 shares of ₹ 100 each issued at par for non-payment of first and final call money of ₹ 30 per share. Out of these 20 shares were re-issued at ₹ 30 per share fully paid up.

25. Sankalp Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows:

On application and allotment - ₹ 9 per share (including premium)

On first and final call –the balance amount.

Applications for 3, 00,000 shares were received .Applications for 2, 00,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Hitesh .His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4 per share.

Pass necessary journal entries for the above transactions in the books of Sankalp Ltd.

26. Yamuna Ltd. invited applications for issuing 80,000 equity shares of ₹ 10 each at par. The amount was payable as follows:

On application and allotment - ₹ 4.50 per share (including premium)

On first and final call –the balance amount.

Applications for 2, 00,000 shares were received .Applications for 40,000 shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,600 shares applied by Dhiraj .His shares were forfeited. The forfeited shares were re-issued at the maximum discount permissible under the law.

Pass necessary journal entries for the above transactions in the books of Yamuna Ltd.

27. Shivani and Rebeka werw partners in a firm sharing profits in the ratio of 7:3. On 1<sup>st</sup> April, 2015, they admitted Kavya as a new partner for 1/4<sup>th</sup> share in profits of the firm. Kavya brought ₹ 4,30,000 as her capital and ₹ 25,000 for her share of goodwill premium. The Balance Sheet of Shivani and Rebeka as on 31<sup>st</sup> March 2015 was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Land & Building		3,50,000
Shivani:	8,00,000		Machinery		4,50,000
Rebeka:	3,50,000		Debtors	2,20,000	
		11,50,000	Less: Provision for Bad debts	<u>20,000</u>	2,00,000
General Reserve		1,00,000	Stock		3,50,000
Workmen's Compensation Fund		1,00,000	Cash		1,50,000
Sundry Creditors		1,50,000			
		15,00,000			15,00,000

It was agreed that

- (i) The value of Land & building will be appreciated by 20%.
- (ii) The value of Machinery will be depreciated by 10 %.
- (iii) The liabilities of Workmen's Compensation Fund was determined at ₹ 50,000.
- (iv) Capital of Shivani and Rebeka will be adjusted on the basis of Kavya's capital and actual cash to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.



28. Lalit, Mayank and Nishant were partners in a firm sharing profits in the ratio of 2:1:1. On 1<sup>st</sup> April 2015 their Balance Sheet was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capitals:			Land		8,00,000
Lalit:	6,00,000		Building		6,00,000
Mayank:	4,80,000		Furniture		2,40,000
Nishant	4,80,000		Debtors	4,00,000	
		15,60,000	Less: Provision for Bad debts	<u>20,000</u>	3,80,000
General Reserve		4,40,000	Stock		4,40,000
Workmen's Compensation Fund		3,60,000	Cash		1,40,000
Sundry Creditors		2,40,000			
		26,00,000			26,00,000

On 1<sup>st</sup> April, 2015 Nishant retired.

The following were agreed:

- (i) Goodwill of the firm was valued at ₹ 6, 00,000.
- (ii) Land was to be appreciated by 40 % and Building was to be depreciated by ₹ 1, 00,000.
- (iii) Furniture was to be depreciated by ₹ 30,000.
- (iv) The liabilities of Workmen's Compensation Fund was determined at ₹ 1, 60,000.
- (v) Amount payable to Nishant was transferred to his Loan Account.
- (vi) The capital of Lalit and Mayank were to be adjusted in their new profit sharing ratio and for this purpose current accounts of the partners will be opened.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

29. Best Deal Ltd. invited applications for issuing 1, 00,000 equity shares of ₹ 10 each at a premium of ₹ 10 per share. The amount was payable as follows:

On application-₹ 14 per share (including ₹ 5 premium)

On allotment – the balance amount.

The issue was fully subscribed. A shareholder holding 300 shares paid the full shares money with application. Another shareholder holding 200 shares failed to pay the allotment money. His shares were forfeited. Later on these shares were re-issued for ₹ 4,000 as fully paid up.

Pass necessary journal entries for the above transactions in the books of Best Deal Ltd.

30. Heaven Ltd. was registered with an authorized capital of ₹ 2,00,000 divided into 20,000 shares of ₹ 10 each. 6000 of these shares were issued to the vendor for building purchased. 8000 shares were issued to the public and ₹ 5 per share were called up as follows:

On application-₹ 2 per share

On allotment-₹ 1 per share

On first call-Balance of the called-up amount

The amount received on these shares were as follows:

On 6000 shares –Full amount called

On 1250 shares- ₹ 3 per share

On 750 shares -₹ 2 per shares.

The directors forfeited 750 shares on which ₹ 2 per share were received.

Pass necessary journal entries for the above transactions in the books of Heaven Ltd.

31. Ocean, Rock and Sky were partners in a firm sharing profits in the ratio of 3:2:1 .On 1<sup>st</sup> April, 2015 their Balance Sheet was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Capital Accounts:			Land & Building		3,64,000
Ocean	3,58,000		Plant & Machinery		2,95,000
Rock	3,00,000		Furniture		2,33,000
Sky	2,62,000		Bills Receivable		38,000
		9,20,000	Sundry Debtors		90,000
General Reserve		48,000	Stock		1,11,000
Sundry Creditors		1,60,000	Cash		87,000
Bills Payable		90,000			
		12,18,000			12,18,000

On the above date, Hill was admitted on the following terms:

- He will bring ₹ 10, 00,000 for his capital and will get 1/10<sup>th</sup> share in the profits.
- He will bring necessary cash for his share of goodwill premium. The goodwill of the firm was valued at ₹ 3, 00,000.
- A liability of ₹ 18,000 will be created against bills receivables discounted.
- The value of Stock and Furniture will be reduced by 20 %.
- The value of Land & building will be increased by 10%.
- Capital Accounts of the partners will be adjusted on the basis of Hill's capital in their profit sharing ratio by opening current accounts.

Prepare Revaluation Account, Partners' Capital Accounts.

32. Xenifer, Yuqub and Zeesan were partners in a firm sharing profits in the ratio of 4:3:2. On 1<sup>st</sup> April their Balance Sheet was as follows:

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		41,400	Cash at Bank		33,000
Capital Accounts:			Sundry Debtors	30,450	
Xenifer:	1,20,000		Less: Provision for Bad Debts	<u>1050</u>	29,400
Yuqub:	90,000		Stock		48,000
Zeesan:	60,000		Plant & Machinery		51,000
		2,70,000	Land & Buildings		1,50,000

	3,11,400		3,11,400

Yuqub had been suffering from ill health and thus gave notice of retirement from the firm. An agreement was, therefore, entered into as on the above date, the terms of which were as follows:

- (i) That land and building be appreciated by 10 %.
- (ii) The provision for bad debts is no longer necessary.
- (iii) The stock be appreciated by 20 %.
- (iv) The goodwill of the firm be fixed at ₹ 54,000. Yuqub's share of the same be adjusted into Xenifer's and Zeesan's Capital Accounts, who are going to share future profits in the ratio of 2:1.
- (v) The entire capital of the newly constituted firm be readjusted by bringing in or paying necessary cash so that the future capitals of Xanifer and Zeesan will be in their profit sharing ratio.

Prepare Revaluation Account, Partners' Capital Accounts.

QUESTION BANK FOR AISSCE: 2016

CLASS-XII

SUB: BUSINESS STUDIES

A. 1 MARK QUESTIONS.

1. 'In an organization employees are happy and satisfied, there is no chaos and the effect of management is noticeable.' Which characteristic of management is highlighted by this statement?
2. Name the process of working with and through others to effectively achieve organizational objectives by efficiently using its limited resources in the changing environment.
3. What is the main objectives of 'Method Study'?
4. 'Identifying and dividing the work' is the first step in the process of one of the functions of management. Identify the function.
5. How have the management principles been derived?
6. Name the function which review the operations in a business unit.
7. Identify the decision taken in financial management which affects the liquidity as well as the profitability of business.
8. State why the working capital needs for a 'Service-industry' are different from that of a Manufacturing industry.
9. Huma wants to buy a packet of fruit-juice. As an aware customer how can she sure about the quality of the fruit-juice she plans to buy?
10. Naveen filed a case against 'Zenith Ltd.' the State Commission .But he was not satisfied with the orders of the State Commission. Name the authority to which he can appeal against the decision of the State Commission.
11. Why is it said that management is a goal-oriented process?
12. "Management helps in development of society." How?
13. Why are the principles of management called universally applicable?
14. Why did Fayol introduce the concept of "Gang Plank" in the principle of "Scalar Chain"?
15. What is meant by "selecting an alternative "as a step in the planning process?
16. What is meant by "Policy "as a type of Plan?
17. Give any two elements of Directing.
18. How does a supervisor act as a linking pin between management and the operatives?
19. What is meant by "Right to choose" to a customer?
20. Which claim can be appealable before the Supreme Court under Consumer Protection Act?
21. List any two personal objectives of management.

22. Give any two reasons why principles of management are not rigid prescriptions.
23. Super Ltd's target is to produce 10,000 shirts per month at a cost of ₹150 per shirt. The Production Manager could achieve this target at a cost of ₹160 per shirt. Do you think the Production Manager is 'effective'? Give reasons in support of your answer.
24. State the objective of 'Motion Study'.
25. Give any one advantage and one disadvantage of internal source of recruitment.
26. Name the method of training in which the trainee learns under the guidance of a master worker.
27. Name any two essential ingredients of sound working capital management.
28. 'Cost of debt' is lower than the 'Cost of equity share capital'. Give reasons why even then a company cannot work only with the debt.
29. Which act of consumer protection provides safety to consumers against deficient services?
30. Why is consumer protection important for a businessman? Give any one reason.
31. Your grandfather has retired from an organization in which he is responsible for implementing the plans developed by the top management. At which level of management was he working? State one more function performed at this level.
32. List any two social objectives of Management.
33. State any one reason why 'Principles of Management' are important.
34. Give the meaning of 'Mental Revolution' as suggested by F.W. Taylor.
35. "The understanding of Business Environment enables the firm to identify opportunities." What is meant by 'opportunities' here?
36. Business Environment includes both 'specific and general forces'. List any four general forces.
37. Explain in one sentence how direction is an executive function of Management.
38. Why is it said that "controlling is looking back"?
39. What should be the 'focus point' for a manager while controlling, as controlling at each and every step is not possible?
40. Define Financial Management.
41. Name the level of management at which the managers are responsible for implementing and controlling the plans and strategies of the organization.
42. Give one responsibility of a customer in addition to obtaining a cash receipt while purchasing a washing machine.
43. Name the type of plan which provides broad contours of an organization's business.
44. State how 'self-regulation by business' acts as a means of Consumer Protection.
45. Identify the nature of management when it is practiced as personal application of existing knowledge to achieve desired results.
46. 'Planning always leads to success.' Do you agree? Give reasons in support of your answer.
47. Give the meaning of 'Compensation' as a step in the process of staffing.
48. Define 'Supervision.'

49. State any one 'Protective function' of Securities and Exchange Board of India (SEBI).
50. What is meant by 'Capital Market'?
51. Name and state the 'on-the-job method of training' that is used to give training to the electricians.
52. What is meant by 'Authoritative style of leadership'?
53. What is meant by 'Motivation'?
54. State the essential function of 'Primary Market'?
55. Name the two major alternative mechanisms through which allocation of funds can be done.
56. What are the advantages of registering 'trade mark'?
57. State the meaning of 'Product Promotion' function of packaging.
58. 'To see whether plans are being implemented and activities are being performed according to schedule', is a step of planning process. Identify the step.
59. Define 'organizing' as a function of management.
60. Identify the type of suitable organization structure for a large scale organization having diversified activities requiring high degree of specialization in operations.
61. What is meant by, 'Principles of Management'?
62. State how staffing ensures 'continuous survival and growth of the enterprise'.
63. State the objective of 'Financial Management'.
64. What is meant by 'Financial Risk'?
65. What is meant by 'Decoding' as an element of communication?
66. 'Providing for social security and welfare of employees' is one of the specialized activities performed by Human Resource Management. Mention any two other specialized activities of Human Resource Management.
67. Give any two characteristics of 'Organizational Climate' that influence the behavior of individuals and act as a non-financial incentive.
68. How are employees motivated to improve their performance when the organization uses internal sources of recruitment? State.
69. Give the meaning of 'Method' as a type of plan.
70. Give the meaning of 'Responsibility' as an element of delegation.
71. Define 'Organizing' as a function of management.
72. What is included in 'Legal Environment' of Business? State.
73. What is determined by 'Time Study'?
74. What is meant by 'Management of work'?
75. What is meant by 'Business Environment'?
76. Explain, how management helps in the development of society.

77. Give the meaning of 'Objectives' as a type of plan.

78. Kalinga Ltd. is engaged in manufacturing of washing machines. The target of the organization is to manufacture 500 washing machines per day. There is an occupational specialization in the organization which promotes efficiency of employees. There is no duplication of efforts in such type of organization structure.

Identify the type of organization structure described above.

79. How does 'cost of equity' affect the choice of capital structure of a company? Explain.

80. 'Duniya Express' specialized in Courier Services. Its wide range of express package and parcel services help business firms to make sure that the goods are made available to the customers at the right place and at the right time.

State with reason, either the working capital requirements of Duniya Express will be high or low.

81. Domex Ltd. entered into the market with colored television and have now introduced products like audio system, air-conditioners, washing machines etc. The company is not only offering the products but also handling complaints and offering after-sales services.

Identify the element of marketing-mix discussed here.

82. Sanjay purchased a new car from 'Amit Motors' for ₹ 25 lakh. He was offered free insurance for the first year and three free servicing to be availed after the car had covered 5000 km, 10000 km and 15000 km respectively. When Sanjay took the car for the first free servicing, he was told that the car was not new and first service had already been availed on this car. He felt cheated and filed a complaint in the State Commission. Being not satisfied with the decision of the State Commission, after two months he decided to file an appeal against it.

Can Sanjay appeal against the decision of the State Commission? Give reason in support of your answer.

83. What is meant by 'liberalization'?

84. Give the meaning of 'Policy' as a type of plan.

85. What is meant by 'Effectiveness in Management'?

86. How does co-ordination ensure unity of action in Management?

87. Define 'Planning premises'.

88. National Vritech Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs its market share is declining. To cope up with the situation CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organization. Identify the concept of management discussed above.

89. Which component of capital structure determines the overall financial risk?

90. Amit is running an 'Advertising agency' and earning a lot by providing this services to big industries. State whether the working capital requirement of the firm will be 'less' or 'more'. Give reason in support of your answer.

91. Zoom Udyog, a car manufacturing Co., has started its business with Zoom 800 and slowly launched Zoom-1000, Wagon-Z, Swy-fy etc. and offered various services like after sale service, availability of spare parts etc. Identify the element of marketing mix referred here.

92. Himesh after completing his graduation started working with a multinational company in Delhi. But due to ill health of his parents he had to go back to his village. There he noticed that the villagers were literate but ignorant about their vegetables. Some shopkeepers were selling food items without having 'FPO mark'. Villagers did not find anything wrong with these

practices. So to create awareness among villagers Himesh decided to publish a weekly Journal 'Jan Jagriti'. State the 'Right'. State the 'Right which Himesh has exercised by doing so.

### B.3 MARKS QUESTIONS

1. Explain how planning reduces the risk of uncertainty.
2. What is meant by 'informal organization'? List any two limitations of informal organization.
3. There are some barriers in communications which are connected with encoding and decoding of message. State any three such barriers.
4. Explain any three merits of packaging.
5. Nature of 'capital market' can be well explained with the help of its features. State any three such features of capital market.
6. 'Controlling is forward looking'. Explain.
7. Explain the importance of 'Financial Planning'.
8. "Sound Financial Management is the key to the prosperity of business." Explain.
9. Differentiate between capital market and money market.
10. What is meant by channels of distribution? Explain the types of channels of distribution.
11. Define planning. List any two limitations of planning.
12. Explain by giving any three reasons why decentralization is important in an organization.
13. Explain when and why the need is felt for having a framework within which managerial and operating tasks are performed to accomplish desired goals. Name this framework also.
14. Explain the following money market instruments:
  - a) Certificate of deposit.
  - b) Call money
15. What is meant by 'Product concept' of marketing'?
16. Explain 'Increasing competition' and 'More demanding customers' as impact of Government policy changes on Business and Industry.
17. Differentiate between 'Objective' and 'Strategy' as types of plans.
18. " External sources of recruitment are considered better than internal sources." Give any three reasons in support of this statement.
19. Explain any three qualities of a good leader.
20. Explain the role of marketing in a firm.
21. Manasi, a shoe manufacturer for school students, decided to maximize her profit by producing and distributing at large scale and thereby reducing the average cost of production.
  - (i) Identify the Marketing Management philosophy adopted by Manasi.



(ii) Explain this philosophy on the basis of-

- (a) Main Focus
- (b) Means and Ends.

22. Explain how principles of management:

- (i) help in optimum utilization of resources and effective administration, and
- (ii) help the managers in meeting changing environment requirements.

23. Explain any three assumptions of Maslow's need hierarchy theory.

24. Why is training important for the organization? State any three reasons.

25. What is meant by 'Financial Management'? State the primary objective of financial management.

26. After setting the performance standards the next step in the controlling process is the 'measurement of actual performance'. Explain this step in the process of controlling.

27. Explain any three points of importance of consumer protection from the point of view of consumers.

28. State any six responsibilities of a consumer which should be kept in mind while purchasing the goods.

29. Explain how controlling helps in:

- (i) accomplishing organizational goals; and
- (ii) judging accuracy of standards.

30. Explain any three functions of financial market.

31. State any three 'Development functions' of Securities and Exchange Board of India (SEBI).

32. DEL Crackers Ltd., a fire-cracker manufacturing company launched some new products on the eve of Diwali in the market, which attracted many buyers. To meet the increased demand the company employed people from nearby villages where there is a lot of unemployment. Because of the good behavior of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the products of DEL Crackers Ltd. because of their quality.

(a) Identify and explain the product-related decision because of which consumers preferred the products of DEL Crackers Ltd.

(b) Also identify any two values which DEL Crackers Ltd. wanted to communicate to the society.

33. 'Stock Exchange not only contributes to the economic growth, but performs many others functions.' Explain any three such functions.

34. Govind is working in a company on a permanent basis. As per the job agreement he had to work for 8 hours a day and was free to work overtime. Govind worked overtime, due to which he fell ill and had to take leave from his work. No one showed concern and enquired about his health. He realized that he was fulfilling only some of his needs while some other needs still remained to be fulfilled.

(i) By quoting the lines from the above para, identify the needs of Govind which he is able to fulfil.

(ii) Also explain two other needs of Govind followed by the above needs, which still remained to be satisfied.

35. Explain any three functions performed by a supervisor that are vital to any organization.

36. State any three points of importance of consumer protection from the point of view of consumers.

37. Explain the following Rights of Consumers:

(a) Right to Safety.

(b) Right to be heard.

38. What is meant by 'Formal Organization'? State its any two advantages.

39. How do the 'Company-related factors' affect the choice of channels of distribution? Explain.

40. Falcon Ltd. is a large company engaged in assembly of air-conditioners. Recently the company had conducted the "Time and Motion "study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioner per day is 800 units only. To find out the reason the company compared actual performance of each workers and observed through C.C.T.V. that some of the workers were busy in gossiping.

(a) Identify the function of management discussed above.

(b) State those steps in the process of the function identified which are discussed in the above paragraph.

41. Kausal recently joined as the Managing Director of 'Lovely Ltd., an apparel designing company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestion which were neither appreciated nor rewarded by the company. Instead the company outsourced its services to some renowned fashion designers and paid them a good compensation for their services. Because of this the employees felt disheartened and stopped giving useful suggestions.

(a) Identify the communication barrier discussed above.

(b) State the category of this communication barrier.

(c) Explain any other communication barrier of the same category.

42. What is meant by 'Informal Organization'? State its any two advantages.

43. State any three advantages that a functional structure offers to an organization.

44. 'Choice of appropriate channel of distribution is very important marketing decision which affects the performance of an organization'. Explain any two factors on which the choice of an appropriate channel depends.

45. Debson Ltd. is a highly reputed company and many people wanted to join this company. The employees of this organization are very happy and they discussed how they came in contact with this organization.

Bijay said that he was introduced by the present Sales manager, Mr. Ibrahim.

Mohan said that he had applied through the newspaper and was appointed as H.R Manager.

Gagan said that he was neither related to any of the employee of the organization nor there was any advertisement in the newspaper even then he was directly called from IIM Ahmedabad from where he was about to complete his MBA.

a) The above discussion is indicating an important function of management. Name the function of management.

b) The management function identified in part (a) follows a particular process. Explain the step of this process which is being discussed in the above para.

46. Santoshi's grandmother who was unwell, called her and gave her a gift packet. Santoshi opened the packet and saw many crumpled share certificate inside. Her grandmother told her that they had been left behind by her late grandfather.

As no trading is now done in physical form, Santoshi wants to know the process by adopting which she is in a position to deal with these certificates.

- a) Identify and state the process.
- b) Also give two reasons to Santoshi why dealing with shares in physical form had been stopped.

47. The barriers of effective communication exist in all organization. Explain any three measures to overcome these barriers.

#### C.4 MARKS QUESTIONS.

1. Explain 'Programme' and 'Procedure' as types of plans, with a suitable example.

2. To avoid the problem of shortage and surplus of funds what is required in financial management? Name the concept and explain its any three points of importance.

3. Explain the following rights of a consumer:

- (i) Right to choose.
- (ii) Right to be heard.

4. State any four reasons why staffing is needed in an organization.

5. 'It is only motivation through which the managers can inspire their subordinates to give their best to the organization' In the light of this statement explain any four points of importance of motivation.

6. Naina, Bhupesh and Vikrant have decided to start a business of manufacturing toys. They identified the following main activities which they have to perform:

- (i) Purchase of raw-materials.
- (ii) Purchase of machinery
- (iii) Production of toys
- (iv) Arrangement of finance
- (v) Sale of Toys
- (vi) Identifying the areas where they can sell their toys
- (vii) Selection of employees.

In order to facilitate the work they thought that four managers should be appointed to look after (1) Production (2) Finance (3) Marketing (4) Personnel

- (a) Identify the function of management involved in the above mentioned para.
- (b) Quote the lines from the above para which help you in identifying this function.
- (c) State the steps followed in the process of this function of management.

7. "Some learning opportunities are designed and delivered to improve skills and abilities of employees whereas some others are designed to help in the growth of the individual in all respects."

Identify and explain the two concepts explained above.

8." Leadership is required only for less efficient subordinates." Do you agree? Explain any four reasons in support of your answer.

9. How does controlling help in 'achieving objectives 'and 'improving employees' morale'?

10. Explain any four responsibilities of the consumer to safeguard his interests.

11. Explain 'Objectives' and 'Strategy' as types of plan.

12. Blue Birds Ltd. offers to its employees to issue shares at a price which is less than the market price.

(i) Name and explain the type of incentive offered to the employees

(ii) Explain one more incentive of the same category.

13. Explain the meaning of Financial Planning. Why is it important? Give any two reasons.

14. State any two advantages and any two limitations of informal organization.

15. Explain the following 'Rights 'of consumers:

(i) Right to be heard.

(ii) Right to seek redressal.

16."Planning is an important function of Management. "State any four reasons.

17." Organization is the harmonious adjustment of specialized parts for the accomplishment of some common purpose or purposes." In the light of this statement explain any four points of importance of organizing.

18." There is a close and reciprocal relationship between planning and controlling." Explain the statement.

19. What is meant by 'Primary Market'? Explain any two methods of floating new issues in the Primary Market.

20." Financial market plays an important role in the allocation of scarce resources in an economy by performing many important functions." Explain any four such functions.

21. Explain the following 'Rights of Consumers':

(a) Right to be informed.

(b) Right to seek redressal.

22. Garima is working in an organization. After every three months her manager transfers her from one department to another so that she may gain a broader understanding of all the departments of the organization.

Name and explain the method of training Garima is undergoing.

23. Investment decision can be long-term or short-term. Explain long-term investment decision and state any two factors affecting this decision.

24. State any four points of importance of organizing function of management.

25. Explain that technique of scientific management which is the strongest motivator for a worker to reach standard performance.

26. Shaquib, the director of a garments company, is planning to manufacture bags for the utilization of waste material of one of his garments unit. He decided that this manufacturing unit will be set up in a rural area of Odisha where people have very less job opportunities and labour is available at very low rate. He also thought of giving equal opportunities to men and women.

For this he selected Firdous Begam, Manjeet Singh, Mayank Sharma and Hriday Saha as heads of Sales, Accounts, Purchase and Production departments.

- (i) Identify and state the next two steps that Shaquib has to follow in the staffing process after selecting the above heads.
- (ii) Also identify two values which Shaquib wants to communicate to the society by setting up this manufacturing unit.

27. Explain any four factors which affects the 'Dividend Decision' of a company.

28. What is meant by 'Financial Planning'? State any three points of its importance.

29. Explain any four factors which affects the 'Working Capital' requirements of a company.

30. State any four advantages of external sources of recruitment.

31. Give the meaning of 'Investment' and 'Financing' decisions of financial management.

32. Explain the concept of 'Business Environment' and any three features of it.

33. Lotus Ltd. was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analyzed the reasons of less revenues. After analysis the company decided

(i) to reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.

(ii) to start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.

This will not only help in covering the risks, but also help in meeting other objectives too.

(a) Identify and explain the objectives of management discussed above.

(b) State any two values which the company wanted to communicated to the society.

34. What is meant by 'Management'? State any three objectives of management.

35. Explain any four points of importance of 'consumer protection' from the point of view of business.

36. Zubin started a company 'Volvo Ltd.' with ten employees, to assemble economical computers for the Indian rural market. The company did very well in its initial years. As the product was good and marketed well, the demand went up. To increase production the company decided to recruit additional employees. Zubin, who was earlier taking all decisions for the company, had to selectively disperse the authority. He believed that people are competent, capable and resourceful and can assume responsibility for effective implementation of their decisions. This paid off and the company was not only able to increase its production but also expanded its product range with different features.

(a) Identify the concept used by Zubin through which he was able to steer his company to greater heights.

(b) Also explain any three points of importance of this concept.

37. The workers of Dream Ltd are unable to work on new computerized machines imported by the company to fulfill the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers.

Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently.

Also state any three benefits that the workers will derive by the decision of the supervisor.

38. Harshita, after completing her MBA, took up a job with a multinational company named 'Good Brand'. The company was paying handsome salary and perks to its employees. The wages were within the paying capacity of the company that provided the employees a reasonable standard of living. The company also had a good work-culture and the behavior of superior was very good towards their subordinates. Harshita was very happy in this organization, but due to long working hours she did not have time to cook her meal. She had to depend upon outside food, which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to supply packaged home-cooked food to office goers at a reasonable price. At the end of the day she was also distributing the left-over food in the nearby night-shelters.

- (a) State the dimension of business environment being discussed above.
- (b) State the principle of management being followed by 'Good Brand'.
- (c) Identify any two values being communicated by the company to the society in the above case.

39. 'Utkarsh Mission Ltd.' is a large and creditworthy company manufacturing coaches for Indian Railways. It now wants to export these coaches to other countries and decided to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge flotation cost, the company decides to tap the money market.

- (a) Name and explain the money –market instrument the company can use for the above purpose.
- (b) What is the duration for which the company can get funds through this instrument?
- (c) State any other purpose for which this instrument can be used.

40. State any four features of principles of management.

41. Define 'Business Environment'. State any three of its features.

42. Mr. Harsh after completing MBA from USA comes to India to start a new business under the banner Ecom Creations Ltd. He launches a new product in e-learning for senior secondary school students in Commerce stream, which already has an established market in UK and USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with other subject also.

Identify and quote the line from above para which highlight the significance of understanding business environment.

43. Mr. Jabbar, the owner of Galaxi construction decided to start a campaign to create awareness among people for developing clean surroundings in their area. He formed a team of 10 members to list the different ways for cleaning the surroundings. One suggested to take the help of local residents, another suggested that they may involve school children in their venture. One more suggestion was to take the help of unemployed youth. On evaluation of different ways, it was decided to take the help of local residents. To achieve the desired goal various activities were identified like

- a) Purchase of necessary item like dustbins, garbage bags, brooms etc.
- b) Collection of garbage
- c) Disposal of garbage etc.

After identification of different activities the work was allocated to different members

- i. Identify the concept of management involved in the above situation and quote the lines which help in their identification.

ii. Also identify the values which the company wants to communicate to the society.

44. Fashion Ltd purchased a new high-tech machine from France for manufacturing high quality fashion products in a cost effective manner. But during the production process, the manager observed that the quality of production was not as per standard. On investigation it was found that there was lack of knowledge amongst the employees of using these hi-tech machines. So, frequent visit of engineers was required from France. This resulted in high overhead charges.

i) Suggest what can be done to develop the skills and abilities of employees for production high quality products by using these hi-tech machines. Also state how the employees or the organization will benefit from your suggestion.

45. Explain any four functions of financial market.

46. Loyala found a worm crawling out of newly opened tetra pack of a juice manufactured by a reputed company, Fest Ltd. She went back to the shopkeeper from whom the pack was purchased who directed her to call up the customer care Centre. When all her efforts failed, she went to a customer activist group to seek help. The group decided to help Loyala and take measures to impose restrictions on the sale of the firm's products of the particular batch and urge customers to refrain from buying the products of the company. Fest Ltd lost its image in the market. The CEO gives the responsibility of bringing back the lost image of the company to a Manager.

a) Identify the concept of Marketing Management which will help the Manager getting the firm out of the above crisis.

b) Also explain the role of above identified concept by stating any two points.

#### D.5 MARKS QUESTIONS.

1. Sandeep is working as 'Operation Manager' in Central Ltd. Name the managerial level at which he is working. State any four functions he will perform as 'Operations Manager' in this company.

2. Explain the following principles in management:

(a) Discipline.

(b) Harmony, not discord.

3. To satisfy the social and psychological needs which type of incentives are needed? Explain any four types of such incentives.

4. Distinguish between National Stock Exchange of India (NSEI) and Over The Counter Exchange of India (OTCEI) on the following bases:

(i) Year of establishment.

(ii) Paid-up capital

(iii) Securities traded

(iv) Duration of settlement

(v) Objective

5. Price of a product is influenced by many factors' Explain any five factors influencing pricing.

6. "Co-ordination is not a separate function of management, it is the essence of management." Explain with the help of a suitable example.

7. Explain any two reasons why proper understanding of management principles is necessary.

8. Explain any five points of importance of planning for a large business enterprise.
9. Why was the Securities and Exchange Board of India (SEBI) set up? Explain any four regulatory functions of SEBI.
10. Bending the customer according to the product and developing the product according to customer-need are the two important concept of marketing management.
11. "Art is concerned with personal application of knowledge." In the light of this statement compare all the features of art with management and prove that it is an art.
12. (i) Name and explain the principle of management in which workers should be encouraged to develop and carry out their plans for improvements in the organization.  
  
(ii) Name and explain the technology of scientific management which helps in eliminating unnecessary diversity of products and thus result in saving cost.
13. Explain by giving any five reasons why understanding of Business Environment is important for managers.
14. State any five methods of floating new issues in the primary market.
15. "An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the product. In the light of the above statement draw a label for a packet of 'Juice' and highlight the important information to be provided on it.
16. "Management is a profession like medical or legal profession. "Do you agree with this statement? Give any five reasons in support of your answer.
17. Explain Fayol's principles of 'equity' and 'order' with examples.
18. Explain in brief the various steps involved in the process of staffing.
19. "Determining the overall cost of capital and the financial risk of the enterprise depends upon various factors." Explain any five such factors.
20. What is meant by Packaging? State any four functions of Packaging.
21. Suddha is engaged in 'Transport Business'. Identify the working capital requirements of Suddha stating the reason in support of your answer. Suddha also wants to expand and diversify his 'Transport Business'. Explain any two factors that will affect his fixed capital requirements.
22. Explain any five features of 'co-ordination'.
23. State any five impacts of Government policy changes on Business and Industry.
24. Explain any five features of planning.
25. Differentiate between 'Marketing' and 'Selling' on any five bases.
26. State any five points which highlight the importance of management.
27. The court passed an order to ban polythene bags as
  - (i) these bags are creating many environmental problems which affect the life of people in general.
  - (ii) society in general is more concerned about quality of life.

The government decided to give subsidy to jute industry to promote this business.

Innovative techniques are being developed to manufacture jute bags at low rates.

Incomes are raising and people can afford to buy these bags.



Identify the different dimensions of Business Environment by quoting the lines from the above particulars.

28. Joseph and Aditi completed their MBA and started working in a multinational company at the same level. Both are working hard and are happy with their employer. Joseph had the habit of backbiting and wrong reporting about his colleagues to impress his boss. All the employees in the organization knew about it. At the time of performance appraisal the performance of Aditi was judged better than Joseph. Even their boss, Gauv Paul decided to promote Joseph stating that being a female Aditi will not be able to handle the complications of a higher post of responsibilities.

(i) Identify and explain the principle of management which was not followed by this multi-national company.

(ii) Identify the values which are being ignored quoting the lines from the above para.

29. Explain any five points of features of 'Planning'.

30. Define 'Planning'. State any four points of importance of planning.

31. Differentiate between 'Primary Market' and 'Secondary Market' on any five basis.

32. What is meant by 'Personal Selling'? Explain any three qualities of a good salesman.

33. Principles of Taylor and Fayol are mutually complementary. One believed that the management should share the gains with the workers, while the other suggested that employees' compensation should depend on the earning capacity of the company and should give them a reasonable standard of living.

Identify and explain the principles of Fayol and Taylor referred to in the above para.

34. What do mean by 'Organizing'. State the steps in the process of organizing.

35. Joya had been working with "Sampurna Enterprises" for the last ten years. She was famous for her dedication towards the work. When the Manager senior to her retired, all the colleagues thought that now Joya would be promoted. But to everyone's surprise the vacant post was filled by an outsider 'Miss Neeti'. Joya felt demoralized and her performance started declining. She would absent herself often and could not meet her targets.

Miss Neeti was a good leader who not only instruct her subordinates, but also guide and inspire them. She noticed Joya's behavior and felt that her performance could be improved. She started involving Joya in decision-making issues related to the organization and made her a part of a high-level joint management committee. Joya was now punctual to office and her performance started improving.

(a) Identify the function of management being performed by Neeti

(b) Name the element of the above function of management which helped Neeti to improve Joya's behavior.

(c) State any three features of the element identified in (b) above.

36. What is meant by 'Delegation'? State any four points which highlight the importance of delegation in an organization.

37. Rohan Chatterjee is working with 'Strict Security Services Ltd.' He is also recruiting security guards for the company. The company provide security services in Kolkata and its adjoining suburban at short notice to various companies. The guards are recruited on temporary basis. The guards provided by this company well-known for their honesty and punctuality. Rohan Chatterjee is well known in his village for providing employment to unskilled people.

(a) Name the source of recruitment used by 'Strict Security Services Ltd.'

(b) State any one dis-advantage of this source of recruitment.

(c) Identify the need of 'Security Guards' which is being fulfilled by the company as per 'Maslow's Need-hierarchy Theory'.

(d) Identify any two values communicated to the society in the above stated case.

38. Give the meaning of 'Divisional Structure' of organizing. State any four advantages of it.

39. A company manufacturing washing Machines. There is a well-defined system of jobs with a clear and definite authority, responsibility and accountability in the company. But people are not allowed to interact beyond their officially defined roles. As a result the company is not able to the changing environment. The workforce is also not motivated due to lack of social interaction. The company is facing problems of procedural delays and inadequate recognition to creative talents.

i) Suggest how the organization can overcome the problems faced by it.

ii) Give any two benefits it will derive from your suggestion.

40.State the importance of directing function of management.

41.Mr. Karan, a recently appointed production manager of Moonlit Ltd has decided to produce jute bags instead of plastic bags as these are banned by the government.He set a target of producing 1000 jute bags a day . It was reported that the employees were not able to achive the target.After analysis he found that employees were demotivated ant not putting in their best for achieving the target.Mr.Karan's behavior is good towards the employees. His attitude is always positive.So he announced various incentives schemes for the employees like:

\* Installing award or certificate for best performance

\* Rewarding an employee for giving valuable suggestion

\* Congtarualating the employees for good performance

a) Identify the functions of management highlighted in the above paragraph

b) State the 'incentive ' under which the employees are motivated.

c) State any two values which the production manager wants to communicate to the society by his work and behavior.

#### E.6 MARKS QUESTIONS.

1. Which source of recruitment is needed to bring new blood in the organization? Explain any three advantages and any two dis-advantages of this source.

2."Training is beneficial both for the organization as well as for the employees." Explain any three benefits of training towards the organization and three towards the employees.

3." Controlling is a systematic process involving a series of steps ". Explain.

4. Explain any four factors which affect the fixed capital requirements of a business.

5. Explain any four factors which affect the capital structure of a company.

6. Advertising and Personal Selling both are communication tools used by the managers to promote their products. Yet they differ in their approach. Differentiate between the two by giving any six differences.

7. The aim of Marketing and Selling is to maximize profit. Yet they differ in their approach. Differentiate between the two by giving any six differences.

8. What is meant by 'Formal Organization'? Explain any five features of Formal Organization.

9. What is meant by Internal Source of Recruitment? Why do organizations prefer recruitment through internal sources? Explain.

10. Explain the steps involved in the process of selection of employees in an organization.

11. "Human beings cannot be motivated only through monetary incentives; non-monetary incentives are also necessary to motivate them." Explain any four such non-monetary incentives.
12. What is meant by 'communication'? Explain how communication is an important function of management.
13. "Determination of capital structure of a company is influenced by a number of factors". Explain four such factors.
14. Explain any four factors affecting working capital requirements of a company.
15. What is meant by 'Packaging'? Give any five points explaining why packaging is important.
16. Explain the following sales promotional activities:
- (i) Refunds
  - (ii) Instant draw and assigned gifts
  - (iii) Full Finance
  - (iv) Sampling
17. Explain 'staffing' as a function of management. Also explain by giving any four reason why proper staffing is required in an organization.
18. Explain the process of staffing in an organization.
19. "Leadership is a key factor in making any organization successful." Do you agree with this statement? Give any four reasons in support of your answer.
20. "Every action in the organization is initiated through directing." Explain any four points of importance of directing in the light of this statement.
21. What is meant by 'Financing Decision'? State any four factors affecting the financing decision.
22. Name the elements of marketing mix which affects the revenue and profits of a firm. Explain any five factors which help in determining this element.
23. "Generally consumers prefer to buy goods directly from the producers but it is not always possible." Give reasons why it is so, by explaining four different factors responsible for this.
24. What is meant by 'Informal organization'? State any three advantages and two dis-advantages of this form of organization.
25. Explain any four non-financial incentives which affect the workers very much.
26. Explain any four psychological barriers of communication which create hurdles in the process of effective communication.
27. "Sound Financial planning is essential for the success of any business enterprise." Explain this statement by giving any six reasons.
28. You are a finance Manager of a newly established company. The Directors have asked you to determine the amount of Fixed Capital requirement for the company. Explain any four factors that you will consider while determining the fixed capital requirement for the company.
29. Name the element of marketing-mix in which a set of firms and individuals creates possession, place and time utility and helps in market offering. Also explain any five important functions performed by this element.

30. Identify and explain the promotional tool of marketing –mix in which plays a persuasive, service and informative role and thereby links a business firm to its customers. Also explain by giving any four reasons how this tool helps in increasing the sales of businessmen.

31. Zeeshan purchased one jar of one liter of pure Desi Ghee from a shopkeeper. After using it he had a doubt that it is adulterated. She sent it for a laboratory test which confirmed that the Ghee is adulterated. State any six reliefs available to Zeeshan, if he complains and the Consumer Court is satisfied about the genuineness of the complaint.

32. Animesh purchased an ISI mark electric iron from 'India Electricals & Electronics Co. "While using he found that it was not working properly. He approached the seller and complains for the same. The seller satisfies Animesh by saying that he will ask the manufacturer to replace this iron. The manufacturer refused to replace and 'India Electricals & Electronics Co.'" decided to file a complaint in the Consumer Court.

Can 'India Electricals & Electronics Co.'" do this? Why? Also explain 'who is a consumer 'as per 'Consumer Protection Act, 1986.'

33. Explain any four functions of 'Stock Exchange.'

34. Explain any four methods of flotation of new issue in the 'Primary Market.'

35. Consumer Products are classified on different basis. 'Durability of the product's one of them. Explain any three types of products in this category.

36. Physical distribution includes some components for physically moving goods from manufacturers to the customers. Explain.

37. What is meant by 'Leadership'? Describe any four qualities of a good leader.

38. "Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance'. In the light of this statement identify and explain the essential elements of delegation.

39. Explain the following non-financial incentives:

(i) Status

(ii) Organizational climate

(iii) Career advancement opportunities.

40. Explain any four psychological barriers to effective communication.

41. 'Choice of an appropriate channel of distribution is a very important marketing decision which depends upon various factors.' Explain any three such factors.

42. 'Pricing of a product is an important and effective competitive weapon in marketing which depends upon various factors.' Explain any three such factors.

43. Explain the role of 'Advertising' in marketing management.

44. Explain the role of 'Public-Relation' in marketing management.

45. Explain the following functions of marketing:

(i) Product designing and development

(ii) Standardization and Grading

(iii) Customer Support Services

(iv) Pricing of products.

46. "Though advertising is one of the most frequently used media of promotion of goods and services, yet it attracts lot of objections." Explain any four such objections.

47. Explain the relationship between planning and controlling.

48. Explain the various steps in the process of controlling.

49. 'Organising involves a series of steps in order to achieve the desired goals.' Explain these steps.

50. Explain the following as factors affecting the requirements of fixed capital:

(i) Scale of operations.

(ii) Choice of technique.

(iii) Technology upgradation.

(iv) Financing alternatives

51. Explain the following as factors affecting 'dividend decision:

(i) Stability of dividend.

(ii) Shareholders' preference.

(iii) Legal constraints.

(iv) Access to capital market.

52. 'Cosmos Ltd.' is manufacturing cotton clothes. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company and good prospects for growth in future. It is a well-managed organization and believes in quality, equal employment opportunities and good remuneration practices. It has many shareholders who prefer to receive a regular income from their investments.

It has taken a loan of ₹ 50 lakhs from State Bank of India and is bound by certain restrictions on the payment of dividend according to the terms of the loan agreement.

The above discussion about the company leads to various factors which decide how much of the profits should be retained and how much has to be distributed by the company.

Quoting the lines from the above discussion, identify and explain any four such factors.

53. S01unaina was a student of Business Studies of class XII. Her father was a farmer who grew different varieties of rice and was well-versed about various aspects of rice cultivation. He was also selected by the government for a pilot-project on rice cultivation. As a project-work in Business Studies she decided to study the feasibility of marketing good quality of rice at a reasonable price. Her father suggested her to use internet to gather customers' views and opinions. She found that there was a huge demand for packaged organic rice. She knew that there were no pre-determined specifications in case of rice because of which it would be difficult to achieve uniformity in the output. To differentiate the product from its competitors, she gave it the name of 'Malabari Organic Rice' and classified it into three different varieties namely-Popular, Classic and Supreme, based on the quality. She felt that these names would help her in product differentiation.

Explain the three functions of marketing, with reference to the above paragraph.

54. It is necessary that goods and services must be made available to the customers at the right place, in the right quantity and at the right time.

a) Name and explain the concerned element of Marketing Mix.

b) Explain the components of this element

55. Horizon International Ltd. earned a net profit of ₹100 crores. Md.Faizam, the finance manager wants to decide how to appropriate these profits. Identify the decision that Md.Faizam will have to take and also discuss any five factors which help him in taking this.