

UNIT - I

2 Marks questions will be answered within 3 sentences each and 3 Marks questions will be answered within 6 sentences each:

1. What is journal?
2. Why journal is called 'Book of Prime Entry'?
3. What is narration?
4. What is Ledger?
5. Why is ledger called 'Book of Final Entry'?
6. What is Debit Note?
7. What is Credit Note?
8. What is a Trial Balance?
9. Distinguish between book keeping and accounting.
10. What do you mean by Financial Accounting?
11. What do you mean by Cost Accounting?
12. What do you mean by Management Accounting?
13. Discuss about the branches of accounting.
14. What are the objectives of preparing the Trial Balance?
15. Explain the meaning of 'Purchase Journal'.
16. Give three transactions which are recorded in Journal Proper.
17. Explain the methods of preparing the Trial Balance.
18. What do you mean by representative personal account? Give two example of it.
19. Give five example of representative personal account.
20. What is a Cash Book?
21. Mention different types of Cash Book.
22. What is contra entry?
23. Give two examples of contra entry.
24. What is Trade Discount?
25. What is Cash Discount?
26. Distinguish between Trade Discount and Cash Discount.
27. Why does a single column cash book always show debit balance?
28. How is the discount column of cash book balanced?
29. What do you mean by revenue loss? Give two example of it.
30. What do you mean by capital loss? Give two example of it.
31. What do you mean by Petty Cash Book?
32. What do you mean by Accounting Principle?
33. Explain the significance of accounting principles.
34. What do you mean by Accounting Equation?
35. What do you mean by Accounting convention?
36. Explain the Business Entity Concept of accounting.
37. What do you mean by accounting cycle?
38. Explain the realization concept of accounting.
39. Explain the accrual concept of accounting.
40. Explain the conservatism concept of accounting.
41. Explain the Going Concern concept of accounting.
42. Explain the Money Measurement concept of accounting.
43. Explain the meaning of opening entry.
44. What do you mean by balancing of an account?
45. Give two objectives of Accounting.
46. Explain the concept of Accounting Cycle.

47. Define accounting as an Information System.

UNIT - II

1. What do you mean by business income?
2. What are the features of business income?
3. Discuss the procedure for measurement of business income.
4. Discuss the methods of measuring business income.
5. What are the objectives of income measurement of a business?
6. What do you mean by Revenue? How is it measured?
7. Explain the features of AS-9 with regard to Revenue Recognition.
8. What do you mean by depreciation?
9. "Depreciation is the process of allocation" – Discuss.
10. What are the causes of depreciation?
11. Give the reasons for which depreciation is provided.
12. What are the factors to be considered for calculation of depreciation?
13. Explain the Original Cost Method of providing depreciation.
14. Give the advantages of Straight Line Method of depreciation.
15. What are the limitations of Fixed Instalment method of providing depreciation?
16. Explain the Written Down Value method of providing depreciation.
17. Give the advantages of Diminishing Balance Method of depreciation.
18. What are the limitations of Reducing Instalment method of providing depreciation?
19. Define the concept of Accounting Standard.
20. Write a note on IFRS.
21. What is meant by Indian Accounting Standard?
22. State the need of establishing an Accounting Standard Board in India.
23. State the various objectives of accounting standard.
24. Define the concept of XBRL.
25. Who are the users of XBRL?
26. Briefly list the advantages of XBRL.
27. State the various features of XBRL.
28. State the areas of applicability of XBRL in India.

UNIT - III

1. What do you mean by revenue income?
2. What do you mean by capital income?
3. Distinguish between revenue income and capital income.
4. What is capital expenditure?
5. What is revenue expenditure?
6. Distinguish between capital expenditure and revenue expenditure.
7. What is deferred revenue expenditure?
8. What do you mean by Trading Account?
9. What do you mean by Profit and Loss Account?
29. What is partnership?
30. What is partnership deed?
31. What is profit-sharing ratio?
32. Give any six clauses of Partnership Deed.
33. What is the minimum and maximum number of partners of a partnership firm?
34. What is Profit and Loss Appropriation Account?
35. What do you mean by fixed capital?
36. How can you maintain partners' capital account, if the capitals are fluctuating?
37. What is goodwill?
38. What is Revaluation Account?

39. What is Memorandum Revaluation Account?
40. When is a Memorandum Revaluation Account prepared?
41. What do you mean by Accumulated Profits?
42. What is Realisation Account?
43. What do you mean by Joint Life Policy? What is its purpose?
44. What is Sacrificing Ratio? How is it calculated?
45. What is Gaining Ratio? How and when is it calculated?
46. What is a Realisation account? Why is it prepared?
47. Explain the concept of Garner Vs. Murray decision.

SHORT TYPE PROBLEMS:

1. A, B and C were partners sharing profits and loss in the ratio of 3 : 2 : 5. They admitted D and gave him $\frac{1}{4}$ share. This share was contributed by them in the ratio of 1 : 1 : 3. Find out the new profit-loss sharing ratio of all the partners.

[Ans: New Ratio 5 : 3 : 7 : 5]

2. A and B were partners sharing profit and losses in the ratio of 3 : 2. They admitted C as a partner. A contributed $\frac{3}{4}$ of his share and B contributed $\frac{1}{4}$ of his share to C. Find out the sacrifice ratio of the old partners and also the new profit-loss sharing ratio of all the partners.

[Sacrificing Ratio of A and B 9 : 2, New Ratio of A, B and C 3 : 6 : 11]

3. A and B were partners sharing profits and losses in the ratio of 5 : 3. They admitted C and gave his $\frac{1}{5}$ share. Find out the sacrifice ratio of the old partners and also the new profit-loss sharing ratio of all the partners.

[Sacrificing Ratio of A and B 5 : 3, New Ratio of A, B and C 5 : 3 : 2]

4. A and B were partners in a firm sharing profits in the ratio of 3 : 2. They admit C into partnership and the new ratio for sharing profits will be 4 : 3 : 2. You are required to calculate the sacrificing ratio.

[Ans: 7 : 3]

5. A, B and C are partners in a firm, sharing profits and losses in the ratio of 4 : 3 : 2. D is admitted into the firm. What will be the profit and loss sharing ratio:

(a) If D's share in the profit and loss is $\frac{1}{5}$.

(b) If D's share in the profit and loss is $\frac{1}{3}$.

(c) If D's share in the profit and loss is $\frac{1}{8}$.

(a) If D's share in the profit and loss is $\frac{1}{10}$.

(a) If D's share in the profit and loss is $\frac{1}{5}$, which he takes $\frac{1}{10}$ from A and $\frac{1}{10}$ from B?

[Ans: (a) 16 : 12 : 8 : 9 (b) 8 : 6 : 4 : 9 (c) 28 : 21 : 14 : 9 (d) 4 : 3 : 2 : 1 (e) 31 : 21 : 20 : 18]

6. Calculate the new profit and loss sharing of the partners in the following cases:

(a) A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C giving $\frac{1}{4}$ th share in the profits.

(b) A and B sharing profits and losses in the ratio of 3 : 2, admit C giving him $\frac{1}{4}$ th share, which C buys $\frac{1}{6}$ th from A and $\frac{1}{12}$ th from B.

(c) A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C into firm and A surrender $\frac{1}{5}$ of his own share and B surrenders $\frac{1}{2}$ of his own share in favour of C.

(d) A and B are partners sharing profits in the ratio of 3 : 2. They admit C giving him $\frac{1}{4}$ share and decide to divide the remaining profits in the ratio of 7 : 3.

(e) A and B are partners sharing profit in the ratio of 6 : 4. They admit C for a sixth share.

[Ans: (a) 9 : 6 : 5 (b) 26 : 19 : 15 (c) 12 : 5 : 8 (d) 21 : 9 : 10 (e) 3 : 2 : 1]

7. Calculate new profit and loss sharing ratio in the following cases:

- (a) A and B are partners sharing profits and losses in the ratio of 2 : 1. They admit C for $\frac{1}{4}$ th share in the profits.
- (b) A and B are partners sharing profits and losses in the ratio of 3 : 2. They admit C for $\frac{1}{5}$ th share in the profits.
- (c) A and B are partners sharing profits and losses in the ratio of 4 : 5. They admit C in to the firm to whom they give $\frac{1}{4}$ th share in the profits.
- (d) A and B are partners sharing profits and losses in the ratio of 8 : 7. They admit C for $\frac{1}{3}$ share of the profits.
- (e) A and B are partners sharing profits and losses in the ratio of 1 : 2. They admit C for $\frac{1}{4}$ th share in the profits.

[Ans: (a) 2 : 1 : 1 (b) 12 : 8 : 5 (c) 4 : 5 : 3 (d) 16 : 14 : 15 (e) 1 : 2 : 1]

8. A and B were partners sharing profits and losses in the ratio of 3 : 2. C was admitted as a partner with the following conditions:

1. The share of goodwill of C was decided as Rs 9,000 which he was not able to pay in cash.
 2. C was allotted $\frac{3}{8}$ share in the profits and losses for which he had to bring an amount of Rs 25,000 as capital.
 3. It was agreed to write off the goodwill raised in the books.
 4. The profit-loss sharing ratio between A and B in the new firm was decided as 2 : 3.
- Pass necessary journal entries for the above adjustments in the partnership firm.

[Ans: New Ratio 2 : 3 : 3]

9. C and D are equal partners in a firm. On first January 2019, their capitals are Rs 13,000 and Rs 11,000. They made E as a partner for $\frac{1}{4}$ th share of the firm. This new partner brought his capital on the basis of the combined capitals of the old partners. Pass necessary journal entries in the books of the firm and also adjust old partners' Capital Account according to new ratio.

[Ans: E brings in Capital Rs 8,000; C withdraws excess amount of Rs 1,000 and D brings Rs 1,000]

10. X and Y are partners in a firm sharing profits and losses as X 75% and Y 25%. Their capital accounts as on 1st January, 2020 were Rs 50,000 and Rs 40,000 respectively. They admit Z as a partner for $\frac{1}{5}$ th share of future profits of the firm. Z introduce Rs 40,000 of which Rs 20,000 was to be considered as premium for goodwill.

You are asked to record the above transactions in the books of the firm and show also the future profit sharing ratio

[Ans: New Ratio 3:1:1; Sacrificing Ratio 3 : 1; Cr. X Rs 15,000 and Cr. Y Rs 5,000]

11. X and Y are in partnership sharing profits and losses as 3 : 2. They admit Z into the firm. Z paying a premium of Rs 36,000 for $\frac{1}{6}$ th share of profits. As between themselves, X and Y agree to share future profits and losses equally. Draft journal entry showing the appropriation of premium money.

[Ans: New Ratio 5 : 5 : 2]

12. A and B are partners in a firm sharing profits and losses in the ratio of 2:1. They take C as a partner, the new profit sharing ratio being 4:2:1. Agree value of goodwill on the date of admission is Rs 42,000.

Show the journal entries for goodwill (which is not already raised in the books) under different possible conditions.

13. A and B sharing profit in the ratio of 3:2, admit C into partnership, C paying Rs 1,000 as premium for $\frac{1}{4}$ th share and Rs 10,000 as capital. No goodwill account appears in the books. Partners withdrew the amount of premium.

Give journal entries to record the above transactions in the books of the firm.

[Ans: Share premium: A Rs 600, B Rs 400]

14. A and B sharing profits and losses in the ratio of 7:3, admit C into partnership, C paying Rs 20,000 in cash as premium for goodwill for $\frac{1}{4}$ th share and Rs 50,000 as capital. No goodwill account appears in the books. Partners withdrew half the amount of premium.

Give journal entries to record these transactions.

[Ans: Share premium: A Rs 14,000, B Rs 6,000]

15. A and B are partners sharing profits and losses in the ratio of 5:3. C is admitted into partnership for $\frac{1}{5}$ th share in profit and he pays Rs 30,000 as capital and the required amount for goodwill which is valued at Rs 40,000 for the firm.

Pass journal entries to record the above adjustments and show the future profit-sharing ratio of the partners.

[Ans: Premium for goodwill Rs 8,000 (i.e. $\frac{1}{5}$ th of Rs 40,000) to be shared by: A Rs 5,000, B Rs 3,000, New profit sharing ratio 5:3:2]

16. P and Q are two partners sharing profits and losses in the ratio of 3:2. In this going concern, R is admitted as a new partner by agreement with $\frac{1}{4}$ th share in future profits. R is unable to bring Rs 2,000 as his share of goodwill and for the reason the old partners decided to raise the goodwill account in the books. After admission of R, the goodwill account is written off.

Record the raising of goodwill and writing off the same in the books by means of journal entries.

[Ans: Rs 2,000 \times $\frac{4}{1}$ or Rs 8,000 to be raised as goodwill by crediting P and Q in the old ratio of 3:2. For writing off goodwill, debit P, Q and R in the new ratio of 9:6:5]

17. A and B are partners in a firm sharing profits and losses equally. They admitted C as a partner for $\frac{1}{5}$ th share of profit. C brought into partnership 'book debts' amounting to Rs 10,000 (less provision for bad and doubtful debts of 5%), the goodwill of his connections valued at Rs 20,000 and the balance amount in cash, borrowed from his friend D, so as to make his capital equal to Rs 60,000. The goodwill of the old firm (A and B) is to be taken at Rs 30,000 and raised accordingly.

After C's admission, the partners decide to write off goodwill account.

Pass journal entries in the books of the firm.

[Ans: Cash brought in by C Rs 30,500.]

Note: The question of loan from D should be ignored as it is a personal loan.]

18. A and B are partners sharing profits in the ratio of 3:2. C is admitted as a partner. The new profit-sharing ratio among A, B and C is 5:3:2. C contributes Rs 25,000 as capital and the required amount for goodwill which is valued at Rs 20,000 for the firm.

Give journal entries to record these transactions.

[Ans: Premium for goodwill Rs 4,000 (i.e. $\frac{2}{10}$ th of Rs 20,000) to be shared by: A and B equally. Sacrificing ratio 1:1]

19. P, Q and R are partners, sharing profits and in the ratio of 4:3:2. S is admitted for $\frac{2}{9}$ th share of profit and he brings Rs 30,000 as his capital and Rs 10,000 for his share of goodwill. The new profit-sharing ratio will be P:Q:R:S : 3:2:2:2. After S's admission, it was decided that a goodwill account should be raised in the books at its full value.

Journalise the above arrangements in the books of the firm.

[Ans: Premium Rs 10,000 to be shared by the sacrificing partners P and Q equally. After admission, Rs 45,000 to be raised as goodwill by crediting all the partners in the new ratio of 3:2:2:2]

20. A and B are partners sharing profits and losses in the ratio of 3:2. They admit C as a partner who is unable to bring premium for goodwill in cash but pays Rs 10,000 as his capital. A

goodwill account is raised in the books of the firm, goodwill of the firm being valued at 2 years' purchase of last 3 years' average profits. The profits for last 3 years were Rs 5,000, Rs 4,000 and Rs 4,500 respectively. The new profit-sharing ratio among the partners has been agreed to be 5:2:2. The partners decide to write off goodwill after C's admission. Calculate the value of goodwill and make journal entries to record the above transactions.

[Ans: Value of goodwill Rs 9,000. For raising, credit A and B in the old ratio of 3:2. For writing off, Debit A, B and C in the new ratio of 5:2:2]

21. A and B are partners in a firm sharing profits and losses in the ratio of 3:2 and having capitals of Rs 40,000 and Rs 30,000 respectively. They decide to admit C as a partner giving his $\frac{1}{4}$ th share of the profits while A and B as between themselves sharing profits equally. C brings in Rs 20,000 as capital. The goodwill of the firm is valued at Rs 24,000.

Give journal entries in the following cases:

- (i) If C pays for his share of goodwill in cash to the old partners privately.
- (ii) If C pay for his share of goodwill in cash which is retained in the business as extra capital.
- (iii) If C does not pay for goodwill and a goodwill account is raised in the books.

[Ans: Treatment of goodwill:

(i) No entry for goodwill premium paid privately by C.

(ii) Dr. Bank Rs 6,000; Cr. A Rs 5,400, Cr. B Rs 600 (in sacrificing ratio 9:1)

(iii) Dr. Goodwill Rs 24,000; Cr. A Rs 14,400, Cr. B Rs 9,600 (in old ratio 3:2]

22. A and B sharing profits in the ratio of 4:3 agreed to admit C as a partner, the new profit sharing ratio being 5:3:2. Goodwill account stands in the books at Rs 15,000 whereas the agreed value on the date of admission is Rs 50,000. The partners decide not to alter the book value of goodwill. C pays the required amount of premium for goodwill in cash.

Show by journal entries, the record to be made in the firm's books:

- (a) If the premium money is to remain in the business.
- (b) If the premium money is withdrawn by A and B.
- (c) If pays the premium to A and B privately.

[Ans: Sacrificing ratio 5:9. Premium paid by C Rs 7,000. No entry when premium is paid privately]

23. Thumpa and Tutul are in partnership sharing profits and losses as 3:2. On 1st January, 2019, they admit Keya as a partner on payment of a premium of Rs 30,000 for one-fourth share of the profits. As between Tumpa and Tutul, they agreed to share future profits and losses equally.

Pass journal entries recording the above transactions.

[Ans: Sacrificing ratio 9:1. Debit bank Rs 30,000 and Credit Thumpa by Rs 27,000 and Tutul by Rs 3,000]

24. A and B are partners in a firm sharing profits and losses in the ratio of 4:3. C joins them as a partner for $\frac{1}{5}$ th share paying Rs 14,000 as his share of goodwill. A and B will share future profits and losses equally.

Pass journal entries.

[Ans: Sacrificing ratio 6:1. Share of premium A Rs 12,000, B Rs 2,000]

25. X and Y are in partnership sharing profits and losses in the ratio of 5:3. Z is admitted as a partner who pays Rs 40,000 as capital and the necessary amount for goodwill which is valued at Rs 60,000 for the firm. His share of profit will be $\frac{1}{3}$ rd; and X and Y have agreed to share equally as between them in the new firm.

Pass journal entries for the above transactions and also calculate future profit-sharing ratio of the partners.

[Ans: New profit-sharing ratio equal. Sacrificing ratio 7:1. Premium paid by Z Rs 20,000. Share of premium: X Rs 17,500 and Y Rs 2,500]

26 Tutu and Kitu are partners in a firm sharing profits in the proportion of 2:1. They admit Nilu as a partner with $\frac{1}{4}$ th share in the profits. Nilu brings Rs 24,000 as his share in the goodwill of the firm. The new profit-sharing ratio is Tutu $\frac{13}{24}$ th; Kitu $\frac{5}{24}$ th and Nilu $\frac{1}{4}$ th.

Show journal.

[Ans: Equal sacrificing. Debit bank Rs 24,000 and Credit Tutu by Rs 12,000 and Kitu by Rs 12,000]

27. A and B are in partnership sharing profits and losses in the ratio of 2:1. On 31st December, 2018 their capital accounts show credit balance of:

A Rs 35,000

B Rs 20,000

They agree to admit C as a partner from 1st January, 2019.

A and B calculate that the value of the goodwill of their business which is not recorded in the books to be Rs 30,000.

C will introduce capital of Rs 30,000 consisting of Rs 12,000 in cash and a goodwill connection valued at Rs 18,000. From 1st January, 2019 profits and losses will be shared as follows: A $\frac{1}{2}$, B $\frac{1}{4}$ and C $\frac{1}{4}$.

A goodwill account is to be opened in the books and closed immediately after the admission of the new partner.

You are required to:

(a) Open and close the goodwill account; and

(b) Write up the capital accounts of the three partners.

[Ans: Closing balance of capital A/cs: A Rs 31,000, B Rs 18,000 and C Rs 18,000]

UNIT - IV

1. What do you mean by Hire Purchase?
2. What is Down Payment?
3. What is meant by Re-possession?
4. Give two merits of Hire Purchase System.
5. What do you mean by branch?
6. Write short note on 'Debtor System'.
7. Give three features of Dependent Branch.
8. Write short note on Stock and Debtors System.
9. What is Whole-Sale Branch system?
10. What is a department?
11. Give three objectives of preparing departmental accounts.
12. What do you mean by inter-departmental transfer?
13. What is dual pricing?
14. What is inland branch?
15. What do you mean by foreign branches?
16. Distinguish between dependent and independent branches.
17. Explain the meaning of 'Goods in transit' in branch accounting.
18. Explain the meaning of 'Cash in transit' in branch accounting.
19. What do you mean by Operating Lease?
20. What do you mean by Financial Lease?
21. Distinguish between Operating Lease and Financial Lease.