

Sample Paper 5

Accountancy XII

Time Allowed: - 3 Hours

Maximum Marks: -80

General Instructions:

- 1. This question paper has two parts, A and B.**
 - 2. Both the parts are compulsory.**
 - 3. All parts of a question must be done together in one place.**
 - 4. Transactions should be clearly recorded and calculations shown clearly adjacent to the rest of the answer.**
-

PART A-ACCOUNTING FOR NOT FOR PROFIT ORGANISATIONS, PARTNERSHIP FIRMS AND COMPANIES

Q1 Deepak an accountant of ABC consultants has debited interests on partners loan to Profit and Loss Appropriation Account and credited it to partner's capital account. Do you think Deepak has correctly recorded interest on loan? Give reasons for your answer. 1

Q2 Balance Sheet had an Investments Fluctuation Reserve of Rs 40,000. New partner is admitted. Value of investments is Rs 1,20,000 against its book value of Rs 1,60,000. What amount out of Investments Fluctuation reserve will be distributed amongst the partners? 1

OR

X, Y and Z were partners in a firm sharing profits and losses in the ratio 2:2:1. On 1st April 2016, Y retired and his son, M was admitted as a new partner for 1/5th share of profits. Goodwill appeared in the books on that date at Rs 25,000. Pass the necessary journal entry.

Q3 Not-For-Profit Organisations have some distinguishing features from that of profit organisations. State any one of them. 1

OR

How would you account for subscription received in advance in the books of a non trading organization.

Q4 If Partners Capitals are fixed, where will you record additional capital introduced and drawings. 1

Q5 Distinguish between firm's debts and private debts on any two basis. 1

Q6 Differentiate between 'Equity Share' and 'Debenture' on the basis of risk involved. 1

OR

What is meant by 'Employee Stock Option Plan'?

Q7 Amit and Kartik are partners sharing profits and losses equally. They decided to admit Saurabh for an equal share in the profits. For this purpose the goodwill of the firm was to be valued at four years' purchase of super profits.

The Balance Sheet of the firm on Saurabh's admission was as follows

Liabilities	Amount(Rs)	Assets	Amount(Rs)
Capitals :			
Amit 90,000		Machinery	75,000
Kartik 50,000	1,40,000	Furniture	15,000
Reserve	20,000	Stock	30,000
Loan	25,000	Sundry Debtors	20,000
Sundry Creditors	5,000	Cash	50,000
	1,90,000		1,90,000

The normal rate of return is 12% per annum. Average profit of the firm for the last four years was Rs 30,000. Calculate Saurabh's share of goodwill. 3

Q8 Pass necessary journal entries in the following cases:

- a. On 1st April, 2015, a company had outstanding Rs. 9,00,000, 14% debentures of Rs. 100 each issued at a premium of 5%. Interest on debentures is paid annually on 31st March and TDS is deducted on interest @20%. On 31st March, 2016 it was noticed that 10% of debentures were untraceable.
- b. H Ltd purchased furniture for Rs. 6,00,000 from K Ltd. Rs. 1,00,000 were paid by drawings a promissory note in favour of K Ltd. The balance was paid by issue of equity shares of Rs. 10 each at a premium of 25%. 3

Q9 Mona Ltd issued 12,000; 10% debentures of Rs. 100 each on 1st April, 2012 redeemable at a premium of 5% as per following terms.

On March 31, 2016 - 8,000 debentures

On March 31, 2017 - 4,000 debentures

The board of directors decided to transfer the required sum of Debentures Redemption Reserve in 2 equal annual instalments commencing from March 31, 2014. Investments were made each year on 30th April in scheduled bank @8% interest of which was subject to T.D.S @ 10%.

Record journal entries ignoring interest payment on debentures.

3

OR

Diamond Limited has 10,000 8% Debentures of Rs 100 each due for redemption on 31st December 2017. Assume that Debenture Redemption Reserve has a balance of Rs 2,00,000 on 31st March 2016. It was decided to invest the required amount towards Debenture Redemption Investment in securities. Investments later realized at 105% less 0.4% brokerage and debentures were redeemed.

Record the journal entries for redemption of debentures.

Q10 State how will you deal with the following items while preparing final accounts for the year ending 31st March 2017 in each of the following alternative cases:

a. Prizes awarded Rs 12,000, Prize Fund as at 31-12-2016 Rs 25,000.

b. Prize awarded Rs 12,000, prize fund as at 31-3-16 Rs 25,000. donations received for prizes during 2016-17 Rs 10,000. prize fund Investments at 31-3-2016 Rs 25,000, Interest received on 10% Prize Fund Investment Rs 2,500.

3

Q11 Parth, Raman and Zaisha are partners in a firm manufacturing furniture. They have been sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2017 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a debit balance of Rs 4,000 in Profit & Loss Account; balance of ` 36,000 in General Reserve and a Balance of Rs 12,000 in Workmen's Compensation Reserve. It was agreed that –

(i) The goodwill of the firm be valued at Rs 76,000.

(ii) The Stock (book value of Rs 40,000) was to be depreciated by 8%.

(iii) Creditors amounting to Rs 900 were not likely to be claimed.

(iv) Claim on account of Workmen's Compensation amounted to Rs 20,000.

(v) Investments (book value Rs 38,000) were revalued at Rs 40,000.

The firm manufactures comfortable rocking chairs for donating to 'Care for you' an Old Age Home every year. Taking cognizance of the rising pollution levels in the country, the firm has decided to transfer 10% of the profits every year to 'Green Fund' primarily used for environment friendly activities starting from the year 2017-18.

Pass necessary Journal entries for the above. Also state any two values highlighted in the above case. 4

Q12 A, B and C are partners. The firm has been in existence for 2 years. After two years it discovered that profit and loss for the years 2016 and 2017 were distributed in the ratio 3:2:1 and 2:2:1 respectively instead of 2:2:1 and 3:2:1. During the year 2016 firm earned Rs 60,000. However in the year 2017 they suffered a loss of Rs 30,000. Pass necessary journal entry.

4

OR

Raghav and Rishi are partners sharing profits and losses in the ratio of 3;2. They agreed to to share profits and losses as follows: first Rs. 25,000 to Raghav and the balance in their profit sharing ratio. The profits for the year was Rs. 60,000, which has already been distributed among the partners. The opening capital of the partners are Raghav Rs. 50,000 and Rishi Rs.36,000. Interest on capital was omitted from the books which is to be allowed at 6% p.a. pass an adjustment entry.

Q13 Following is the receipt and payment account of Jindal Hospital for the year ended 31st March, 2017.

Receipt	Amount Rs	Payment	Amount Rs
Balance b/d		Payment of medicines	20,000
Cash	4,000	Salaries	10,000
bank	11,000	Doctor's honorarium	8,000
10% fixed deposit	30,000	Equipment	35,000
Subscription	45,000	Rent	10,000
Donation (50% to be capitalised)	30,000	Sundry expense	7,500
Entrance fee	14,000	Balance c/d	
		Cash	3,000
		Bank	10,500
		10% fixed deposit	30,000
	1,34,000		1,34,000

Other information

1-4-2016 (Rs.)

31-3-2017 (Rs)

Subscription due	1,000	1,800
Subscription received in advance	800	500
Stock of medicines	7,000	8,500
Creditors of medicines	4,500	7,200
Value of equipments	21,000	42,000

Required :- Prepare income and expenditure account and balance sheet as on 31-3-2017.

6

Q14 A, B and C Started business on 1st January, 2014 sharing profits and losses in the ratio of 2:2:1. Their combined capital was Rs. 1,50,000. It is shared in their profit sharing ratio. Profit for the year 2014 was Rs. 40,000 before providing interest on capital @ 10% p.a. they drew Rs. 10,000, Rs. 8,000 and Rs. 6,000 respectively during the year. Due to differences, they decided to dissolve the firm on 31-12-2014. On this date, creditors were Rs. 30,000 and A's Loan was Rs. 10,000. Assets of the firm realised Rs. 2,00,000. A agreed to take over creditors amounting to Rs. 20,000 for Rs. 19,000 and remaining creditors were paid at a discount of 10%. An unrecorded liability for Rs. 1,000 was also paid. Expenses of realisation were Rs. 500.

6

Prepare necessary accounts to close the books.

Q15 On 31st March, 2017 ,the Balance Sheet of P, Q and R who were partners in a firm, was as under :

Liabilities	Rs.	Assets	Rs.
Sundry creditors	38,000	Buildings	2,00,000
Employee's Provident Fund	2,000	Debtors	30,000
Profit & Loss A/c	60,000	Stock	65,000
		Cash	65,000
Capitals:		Goodwill	40,000
P 1,20,000			
Q 80,000			
R <u>1,00,000</u>	3,00,000		
	4,00,000		4,00,000

The partnership deed provides that the profits be shared in the ratio of 2:1:2 and that in the event of death of any partner, his executors will be entitled to be paid out:

(a) P died on June 12, 2017

(a) The capital to his credit at the date of last Balance Sheet.

(b) Interest on capital @8% p.a upto the date of death.

(c) His proportion of profits to the date of death based on the average profits of the last three completed years.

(d) By way of goodwill, his share on the basis of two times the average profits of past three years.

(e) The net profit for the last three years ending 31st March were:

	Rs.
2015	30,000
2016	70,000
2017	80,000

Prepare P's Capital Account to be rendered to P's executors

6

Q16 Sangam Limited invited applications for issuing 60,000 shares of RS 10 each payable as Rs 2 on application, Rs 3 on allotment and the balance on first and final call. Applications for 92,000 shares were received on which directors allotted as follows:

Applications for 40,000 shares-full

Applications for 50,000 shares-40%

Applications for 2000 shares-Nil

Rs 1,08,000 were realized on account of allotment money (excluding the amount carried forward from application money) and Rs 2,50,000 on account of call. The directors decided to forfeit shares of those applicants to whom full allotment was made and on which allotment money was overdue. Prepare Cash Book and pass necessary journal entries excluding cash transactions

8

OR

M limited issued a prospectus offering 2,00,000 Equity shares of Rs 10 each at premium of 20% on the following terms:

On application Rs3

On allotment Rs 3(including Rs 2 Premium)

On First Call Rs 4

On second and final call Balance

Applications were received for 3,17,000 shares and allotment was made as follows:

Allotment in full 38,000 shares

(Two applicants paid in full on allotment in respect of 4000 shares each.)

Allotment of $\frac{2}{3}$ shares applied for 1,60,000 shares

Allotment for $\frac{1}{4}$ of shares applied for 2000 shares

Cash amounting to Rs 93,000(Being application money received with application for 31,000 shares for which no allotment was made) was returned to the applicant.

Excess money received on application (to whom shares allotted) were adjusted towards allotment and calls. R holding 8000 shares (Category A paid all his dues along with allotment.

P who belonged to category B failed to pay final call money on his 1000 shares. These shares were forfeited and reissued to V @9 as fully paid up.

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

Q17 A, B & C were partners in a firm sharing profits & losses in proportion to their fixed capitals. Their Balance Sheet as at March 31, 2017 was as follows:

Balance Sheet as at March 31, 2017

Liabilities	Rs.	Assets	Rs.
Capitals:		Bank	21,000
. A 5,00,000		Stock	9,000
. B 3,00,000	10,00,000	Debtors 15,000	13,500
. C 2,00,000	75,000	Less: Provision for Doubtful Debts 1,500	
General Reserve	23,000	A's Loan	35,500
Creditors Outstanding	7,000	Plant & Machinery	2,00,000
Salary	15,000	Land & Building	6,00,000
B's Loan		Profit & Loss Account (For the year ending 31st March 2017)	2,41,000
	11,20,000		11,20,000

On the date of above Balance Sheet, C retired from the firm on the following terms:

- . (i) Goodwill of the firm will be valued at two years purchase of the Average Profits of last three years. The Profits for the year ended March 31, 2015 & March 31, 2016 were Rs. 4,00,000 & Rs. 3,00,000 respectively.
- . (ii) Provision for Bad Debts will be maintained at 5% of the Debtors.
- . (iii) Land & Building will be appreciated by Rs. 90,000 and Plant & Machinery Will be reduced to Rs. 1,80,000.
- . (iv) A agreed to repay his Loan.
- . (v) The loan repaid by A was to be utilized to pay C. The balance of the amount payable to C was transferred to his Loan Account bearing interest @ 12% per annum. Prepare Revaluation Account, Partners' Capital Accounts, and the Balance Sheet of the reconstituted firm.

8

OR

W and R are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as on 31st March, 2016 was as follows :

Liabilities	Amount	Assets	Amount
Sundry Creditors	20,000	Cash	12,000
Provision for Bad Debts	2,000	Debtors	18,000
Outstanding Salary	3,000	Stock	20,000
General Reserve	5,000	Furniture	40,000
Capitals :		Plant & Machinery	40,000
W 60,000	1,00,000		
R 40,000			
	1,30,000		1,30,000

On the above date C was admitted for $\frac{1}{6}$ th share in the profits on the following terms :

- C will bring Rs 30,000 as his capital and Rs 10,000 for his share of goodwill as premium, half of which will be withdrawn by W and R.
- Debtors Rs1,500 will be written off as bad debts and a provision of 5% will be created for bad and doubtful debts.
- Outstanding salary will be paid off.
- Stock will be depreciated by 10%, furniture by Rs 500 and Plant and Machinery by 8%.
- Investments Rs 2,500 not mentioned in the balance sheet were to be taken into account.
- A creditor of Rs 2,100 not recorded in the books was to be taken into account.
- Capitals of other partners need to be adjusted on the basis of new partners share of capital, the necessary adjustment being made by depositing or withdrawing cash.

Pass necessary Journal Entries for the above transactions in the books of the firm on C's admission and prepare the Balance Sheet of the new firm.

Part B: Analysis of Financial Statements

Q18 State why Cash Flow Statements is not a substitute for income statement? 1

Q19 N Limited received interest on an item and the accountant classified it under financing activity while preparing cash flow statement. Name such item. 1

Q.20.a) Under which heading & subheading you will show the following items in the Balance Sheet of Company as per Revised Schedule III of Company Act 2013:

- (i) Outstanding Expenses
- (ii) Mining rights
- (iii) Provision for Employees Earned Leave payable on retirements
- (iv) Shares in a listed companies.

b) What are Comparative Balance sheets. (2+2)

Q21 a. From the following information calculate inventory turnover ratio; revenue from operations Rs. 16,00,000 Average inventory Rs. 2,20,000; Gross Loss Ratio 5%

b. Cash Revenue from operation is 33.33% of credit revenue from operations, cost of revenue from operation ₹ 3,00,000, gross profit ratio 25% on revenue from operations. Trade Recievables turnover ratio 3 Times. Trade receivables at the end were 3 times that in the beginning. Calculate opening and closing trade receivables

4

OR

Q21.From the following information, calculate (any two)

- (a) Inventory Turnover Ratio,
- (b) Operating Profit Ratio
- (c) Return on Investment Ratio

Statement of Profit and Loss for the year ended 31st March, 2013

Particulars	Amount Rs.
(I) Revenue from Operations (Sales) 5,40,000 Less Returns <u>40,000</u>	 5,00,000
(II) Other Incomes	60,000
(III) Total Revenue	5,60,000

Expenses:	
Purchases	2,50,000
Change in Inventories (Opening Inventory – Closing Inventory)	8,000
Carriage	20,000
Wages	58,000
Other Expenses	30,000
(IV) Total Expenses	3,66,000
(V) Net profit before tax (III – IV)	1,94,000
Less: Provision for Tax	58,200
(VI) Net Profit after tax	1,35,800
Additional information:	
(1) Other incomes includes discount received Rs.5,000	
(2) Opening stock was 60,000 and closing stock was Rs.68,000	
(3) Other expenses include interest @10% on long term borrowings Rs.20,000 and remaining expenses relate to office & selling purposes.	
(4) Shareholders' funds stood at Rs. 8,70,000	

Q22 From the following Balance Sheets, prepare the Common Size Balance Sheet of Diya Ltd.:

Particulars	2015 ₹	2016
I. Equity & Liabilities		
1. Shareholder's Funds		
(a) Share Capital	3,00,000	3,50,000
2. Non-Current Liabilities		
(a) Long Term Borrowings (9% Debentures)	2,00,000	1,00,000
3. Current Liabilities		
(a) Trade Payables	1,00,000	1,50,000
	<u>6,00,000</u>	<u>6,00,000</u>
II. Assets		
1. Non-Current Assets		
(a) Fixed Assets (Tangible Assets)	3,00,000	4,00,000
2. Current Assets		
(a) Inventories	3,00,000	2,00,000
	<u>6,00,000</u>	<u>6,00,000</u>

OR

Prepare a Comparative Statement of Profit and Loss from the following:

Particulars	31-3-2017	31-3-2016
Revenue from operations	50,00,000	40,00,000
Finance Costs	30,00,000	25,00,000
Employee Benefit Expenses	4,00,000	3,00,000
Other Expenses	40,000	50,000

Income Tax 40% of Net Profit

Q23 Prepare cash flow statement from the following balance sheet as on 31st March 2016 and 2015 :

Particulars	Note no.	2016	2015
EQUITY AND LIABILITIES			
1. Shareholders fund			
• Share capital		2,00,000	2,00,000
• Reserve and surplus	1	1,00,000	45,000
2. Non current liabilities			
Long term borrowings	2	40,000	30,000
3. Current liabilities			
• Short term borrowings	3	10,000	10,000
• Trade payable	4	60,000	55,000
• Other current liabilities	5	5,000	-----
• Short term provisions	6	25,000	20,000
Total		4,40,000	3,60,000
2. ASSETS			
1 Non current Assets			
Fixed assets			
• Tangible		2,30,000	1,80,000
• Intangible	7	20,000	30,000
2. Current Assets	8		
• Current investments		30,000	20,000
• Investments	9	60,000	50,000
• Trade receivables		65,000	70,000
• Cash and cash equivalents		35,000	10,000
Total	10	4,40,000	3,60,000

Notes to Accounts

Particulars	2016	2015
1. Reserve and surplus		
• General Reserve	20,000	5,000
• Balance in statement of profit and loss	80,000	40,000
	1,00,000	45,000

2. Long term borrowings		
• 10% Mortgage loan	<u>40,000</u>	<u>30,000</u>
3. Short term borrowing	<u>10,000</u>	<u>10,000</u>
• Bank overdraft		
4. Trade payable	50,000	40,000
• Creditors	<u>10,000</u>	<u>15,000</u>
• B/P		
5. Other current liabilities	<u>5,000</u>	<u>-----</u>
• Unclaimed dividends		
6. Short term provisions	<u>25,000</u>	<u>20,000</u>
• Provision for tax		
7. Fixed assets – intangible		
• Plant and machinery	<u>2,30,000</u>	<u>1,80,000</u>
8. Fixed assets – intangible		
• Branding	<u>20,000</u>	<u>30,000</u>
9. Current investments		
• Marketable securities	<u>30,000</u>	<u>20,000</u>
10. Trade receivable		
• Debtors	55,000	40,000
• B/R	<u>10,000</u>	<u>30,000</u>
	<u>65,000</u>	<u>70,000</u>

ADDITIONAL INFORMATION:

- Depreciation on machinery Rs. 20,000
- Tax paid during year Rs.18,000.
- Additional in mortgage loan took place on October 1st.
- Interest paid on bank overdraft Rs. 1,000.
- Dividend declared and paid @10%.

Marking Scheme:

Ans 1 No

Ans 2 Nil

Ans 3 Deducted from subscription on credit side of Income and Exp account

Ans 4 Capital account-additional capital

Current account- Drawings

Ans 5 Debts owned to outsiders/owned by partner in personal capacity

Ans 6 Equity is Riskier

Ans 7 Saurabh share =14400

Ans 8 TDS 25200.

II. Equity share capital :400000

Ans 9 Dr trf to general reserve :2,50,000

Ans 10 Presented in Balance sheet

Ans 11 Distribution of reserves in old ratio

Ans 12 A DR 9000

To B 6000

To C 3000

OR

Raghav Dr 9904

To Rishi

Ans 13 Medicines consumed 21200

Surplus 7400

Balance Sheet 98800

Ans 14 Sundry assets :206000

Loss on realization 5500

Bank account 200000

Ans 15 Amount transferred to executors account:1,82,720

Ans 16 Capital Reserve 7000

Ans 17 Revaluation profit :70750

Balance Sheet 105160

OR

Revaluation loss 5625

Ans 18 Cash Basis/Accrual Basis

Ans 19 Interest received on calls in arrears

Ans 20 Inventory turnover ratio:7.63 times

Return on Investments:20%

OR

Inventory turnover ratio :4.03 times

Ans 23 Cash Generated from operating activity:1,14,500

Cash used in investing :70000

Cash used in financing activity:9500