Sample Paper 3

Subject: Accountancy	Class: XII	M.M: 80	Time: 3 Hours

General Instructions:

- **The question paper contains two parts- A and B**
- **All parts of a question should be attempted at one place.**

PART - A

(ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS, PARTNERSHIP FIRMS & COMPANIES)

Q1. A and B are partners in a firm sharing profits in the ratio 2:1. Mrs. A has given a loan of Rs. 15,000 to the firm and the firm also took a loan of Rs. 10,000 from B. The firm was dissolved and assets realized Rs. 20,000. State the order of payment assuming that there are no creditors of the firm. 1

Q2. Why is it necessary to value Goodwill of a firm in case of admission of a partner?

OR

Why is it necessary to revalue assets and liabilities of a firm in case of retirement of a partner? 1

Q3. What will be the treatment of 'Subscription outstanding' for the current year in the Balance Sheet of a Not-for-profit organization?

OR

State the basis of accounting on which 'Income and Expenditure Account' is prepared in case of a Not-for-profit organization. 1

Q4. X, Y and Z are partners in a firm. Z advances a loan of Rs. 50,000 to the firm on 1st December 2017. On 31stMarch 2018 the firm incurs a loss of Rs. 62,000 before charging interest on Z's Loan. What amount of profit or loss will be transferred to partners? 1

Q5. At the time of death of a partner, a bill of exchange for Rs. 5,000 which was previously discounted with the banker was dishonored as the drawee had become insolvent and nothing could be realized from his estate. The accountant seeks your advice on its treatment. 1

Q6. How are calls-in arrears and calls-in-advance disclosed in the Balance sheet of a Company?

OR

What is meant by 'Private placement of shares'? 1

Q7. Kumar Bros. is a partnership firm. Its assets are Land & Building Rs. 2,60,000; Long Term Investments Rs. 2,00,000; Stock Rs. 60,000; Debtors Rs. 80,000; Cash in hand Rs. 10,000. Its sundry creditors were Rs. 50,000 and expenses of Rs. 40,000 were outstanding. Firm took a Long term loan of Rs.1,10,000 from Vyasa bank.
If normal rate of return is 10% and Goodwill of the firm is valued at Rs. 90,000 at 2 years' purchase of super profit, find average profit of the firm. 3

Q8. Rolex Ltd. issued 15,000; 10% Debentures of 100 each at par on 1st April, 2013 redeemable at 5% premium in three yearly installments by draw of lots as follows:

On 31st March, 2015 3,000 Debentures,
On 31st March, 2016 6,000 Debentures,
On 31st March, 2017 6,000 Debentures.

The company complied with the legal requirements with respect to Debenture Redemption Reserve and investment (made in Government Securities on 1st April each year)
Pass relevant Journal entries to be passed on 31st March 2017 only (Ignore writing off loss on issue of debentures, interest paid and received). 3

Q9. Complete the missing figures in the journal entries of Solar Power Ltd.

Journal

Date	Particulars	LF	Dr.Amount(Rs.)	Cr. Amount(Rs.)
2017 Apr 1	______________ Dr. To ______________ (Application money received on 40,000 8% Debentures of Rs. 100 each issued at a discount of 5%)		______	______
2017 Apr 1	______________ Dr. ______________ Dr. To 8% Debentures A/C To ______________ (40,000 8% Debentures of Rs. 100 each issued at a discount of 5%, redeemable at a premium of 5%)		______ ______	______ --------------------
2018 Mar 31	______________ Dr. ______________ Dr. ______________ Dr. To ______________ (Loss on issue being written off *) * Company had a balance of Rs. 1.00,000 in Capital Reserve and Rs. 1,00,000 in Securities Premium Reserve and it decided to write off the loss in the first year itself		______ ______ ______	______

OR

Bazinga Ltd. issued 2,000, 12%Debentures of Rs. 100 each on 1st April, 2017. The issue was fully subscribed. According to the terms of issue, interest on the debentures is payable half-yearly on 30th September and 31st March and the tax deducted at source is 10%.
Pass necessary Journal entries related to the debenture interest for the half-year ending 31st March, 2018 and transfer of interest on debentures of the year to the Statement of Profit and Loss. 3

Q10.Calculate the amount of medicines to be transferred to Income and Expenditure Account of Shanti Swaroop Club, Karnal for the year ended 31 March, 2018: 3

Receipts and Payments Account (An Extract)
for the year ended 31st March, 2018

Receipts	Rs.	Payments	Rs.
To medicines sold during the year (Book value Rs. 60,000)	66,000	By medicines (cash purchases) By medicines (payment to creditors of medicines)	60,000 1,50,000

Additional information:

	as at 1st April, 2017 (Rs.)	as at 1st April, 2018 (Rs.)
Stock of medicines	80,000	70,000
Creditors for medicines	1,00,000	1,20,000

Q11. Neha, Pooja and Anju were partners sharing profits and losses in the ratio of 2:3:2. On 1/4/2018 they decided to change their profit sharing ratio to 2:1:1. On this date their Balance sheet showed the following balances:
General Reserve Rs. 40,000
Workmen Compensation Reserve Rs. 13,000(Liability against this was Rs.4,000)
Profit and Loss A/c (Dr. balance) Rs. 4,200
The assets of the firm were revalued and they resulted in a gain of Rs. 8,400.
The partners had decided to distribute all the Reserves and Profit and Loss A/c but to leave the assets at their original amount.
Show the effect of the above adjustments by passing the relevant journal entries in the books of the partnership firm. 4

Q12. The Balance Sheet of Sandeep, Suresh and Subodh who shared profits and losses in the ratio 5:4:3 as on 31st March, 2018 is given below:

Liabilities		Rs.	Assets	Rs.
Outstanding Expenses		11,000	Bank	17,000
Creditors		32,000	Stock	16,000
Bills Payable		25,000	Debtors	34,000
Employee Provident Fund		32,000	Furniture	49,000
General Reserve		24,000	Machinery	47,000
Capital Accounts:			Land and Building	1,20,000
Sandeep	70,000		Subodh's Loan Account	21,000
Suresh	60,000			
Subodh	50,000	1,80,000		
		3,04,000		3,04,000

Subodh died on 30th November, 2018. The Partnership Deed provided for the following adjustments on the death of any partner, payable to the Executor of the deceased partner.
(i) Balance in Capital Account.
(ii) Share of Goodwill equal to 20% of the profits credited to such partner in the past three years. The profit for the last three years ended 31st March 2018; 31st March 2017 and 31st March 2016 were Rs. 32,000; Rs. 41,000; Rs. 62,000 respectively.
(iii) Interest on Capital @ 9% p.a. and interest on Drawings @ 5%.

(iv) Subodh's share of profit or loss till the date of his death was to be calculated on the basis of average profit or loss for the past three years.
(v) Subodh's drawings till date of death were Rs. 21,000.
Prepare Subodh's capital account to be rendered to his executors. 4

Q13. Following Receipts and Payments Account is given for the year ended 31st March 2018 of a Cricket Club.

Receipts	Rs.	Payments	Rs.
To Balance b/d	14,700	By Salaries	80,000
To Subscription	1,92,500	By Advertisement Expenses	5,000
To General Donation	15,000	By Newspapers and Magazines	3,000
To General Grants	7,200	By Audit Fee	42,000
To Sale of Old Sports Materials	400	By Sports Equipment	70,000
To Sale of Match Tickets	32,000	By 15% Investments	1,00,000
To Rent	48,000	By Municipal Taxes	18,200
To Interest on Investment	6,000	By Match Expenses	21,000
To Donation for Match Fund	54,000	By Balance c/d	40,600
To Legacies	10,000		
	3,79,800		3,79,800

Additional Information:

(i) The investments were purchased on 1st July 2017.
(ii) Subscription received included Rs. 24,000 for previous year (Rs. 6,000 is still outstanding) and Rs. 12,000 for next year. Subscription outstanding as on 31st March 2018 was Rs. 42,000.
(iii) On 1st April 2017, the club owned a building of Rs. 2,70,000, sports equipments Rs. 75,000, furniture Rs. 12,000. Depreciation is to be provided on these assets @ 5% p.a. including new purchases. The club also had a Match fund of Rs. 40,000 on this date.
(iv) Salaries to the extent of Rs. 38,000 are still outstanding. Rent has been received in advance till 30th June 2018.

Prepare Income and Expenditure A/c for the year ended 31st March, 2018. 6

Q14. Snehal, Suchita and Sindhu were partners sharing profits and losses in the ratio of 3:2:1. The firm was dissolved on 31/3/2018. After transfer of assets and liabilities to Realisation Account the following transactions took place.

Give journal entries in the books on dissolution of the firm.

(a) Suchita's Loan to the firm Rs.30,000 was settled at Rs. 28,500.
(b) A creditor for Rs. 50,000, took over machinery of book value Rs. 40,000 at Rs. 35,000. The balance was settled in cash.
(c) Workmen Compensation Reserve- Rs. 40,000. A liability equal to 60% of the reserve was settled.
(d) Sindhu was to receive 5% of the value of assets realised as remuneration for completing the dissolution work and was to bear realisation expenses. Realisation expenses were Rs. 5,500 that was paid by Sindhu. Assets realised Rs. 60,000.
(e) The Balance Sheet disclosed a footnote, contingent liability for Rs. 5,000 in respect of a bill discounted. The bill was received from Megha. On the date of dissolution, Megha was declared

insolvent and was not able to pay the amount due. The bill had to be met by the firm.
(f)Loss on realisation amounted to Rs. 24,000. 6

Q15. Paras, Stuti and Rhea are partners having fixed capitals of Rs. 2,00,000, Rs.1,60,000 and Rs. 1,20,000 respectively. They share profits in the ratio of 3:1:1.The partnership deed provided for the following which were not recorded in the books :
(i)Interest on capital @5%pa.
(ii)Salary to Paras Rs. 1,500 p.m and to Rhea Rs.1,000 p.m.

(iii)Transfer of profit to General Reserve Rs. 10,000.
Net Profit for the year ended 31st March, 2018 distributed among the partners was Rs. 1,00,000.
Pass the necessary adjustment entry showing the workings clearly.

OR

Ayush, Bhoomi and Charvi were partners. Their capitals were Rs. 30,000, Rs. 20,000 and Rs. 10,000 respectively on 1st April, 2017. According to the partnership deed they were entitled to an interest on capital at 5% pa. In addition, Bhoomi was also entitled to draw a salary of Rs. 500 per month. Charvi was entitled to a commission of 5% on the profits after charging interest on capital, but before charging the salary payable to Bhoomi. The net profits for the year ended 31st March, 2018 were Rs. 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 of 2:2:1. Pass the necessary adjustment entry showing the workings clearly. 6

Q16. Rajesh Ltd. invited applications for 1,00,000 equity shares of Rs. 10 each issued at 20% premium per share. The amount was payable as follows:
On Application Rs. 4 per share.

On Allotment Rs. 5 per share. (including premium)
On First & Final call Rs. 3 per share.
Applications for 2,30,000 shares were received. Allotment was made as under:

Application	Allotment
20,000	Nil
1,50,000	50,000
60,000	50,000

Excess application money to be adjusted against allotment and remaining excess money if any to be refunded.
All money were duly received except:
(a) Rajan to whom 500 shares were allotted in the group applying for 1,50,000 shares did not pay any amount after application.
(b) Roshan, who applied for 1,200 shares from the group applying for 60,000 shares failed to pay the first and final call.
All shares on which payments were overdue were forfeited after the final call was made.
50% of the forfeited shares were re-issued @ Rs. 9 per share fully paid.

Pass necessary Journal entries for the above transactions in the books of Rajesh Limited.

OR

Raghav Ltd. issued a prospectus inviting applications for 50,000 equity shares of Rs. 10 each at a premium of Rs. 4 per share payable as follows:

On Application Rs. 5 (including premium Rs. 2)
On Allotment Rs. 5 (including premium Rs. 2)
On First and Final Call Rs. 4
Applications were received for 90,000 shares and prorata allotment was made to applicants of 75,000 shares, the remaining applications being rejected.
It was decided to utilize the excess application money towards sums due on allotment.
Ritu who applied for 1,800 shares, failed to pay the allotment money due and her shares were forfeited immediately after allotment.
Manju who was allotted 1,200 shares failed to pay the call money and subsequently her shares were forfeited.
The Directors decided to reissue 50% of forfeited shares held by Ritu for Rs.12 per share and 50% of forfeited shares held by Manju for Rs. 9 per share.

Pass necessary journal entries in the books of the Company for the above transactions. 8

Q17. Jatin and Sandeep are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as at 31st March, 2018 was as follows:

Liabilities	Rs.	Assets		Rs.
Outstanding Expenses	20,000	Cash		8,000
Bills Payable	76,000	Debtors	1,20,000	
Creditors	70,000	Less: Provision for		
Workmen Compensation Fund	70,000	doubtful debts	(20,000)	1,00,000
Investment Fluctuation Fund	20,000	Stock		80,000
General Reserve	40,000	Investments		1,00,000
Capital Accounts:		Furniture		60,000
Jatin	2,00,000	Machinery		3,08,000
Sandeep	1,60,000			
	6,56,000			6,56,000

On 1" April, 2018 they admitted Kishore as a partner for 1/10th share in profits which he acquired equally from Jatin and Sandeep on the following terms:

(i) Kishore is to bring Rs. 50,000 as Capital and it was decided that the capital of all partners shall be in proportion to their profit sharing ratio.
(ii) The Goodwill of the firm is valued at Rs. 60,000 and Kishore will contribute his share of goodwill in cash.
(ii) Provision on debtors was found to be in excess by Rs. 4,000.
(v) Outstanding expenses will be reduced to Rs. 6,000.
(v) Depreciate stock by 5%.
(vi) Market value of investments was Rs. 70,000.
(ii) Any deficiency or excess of capital will be adjusted through opening Current Accounts.

Prepare Revaluation A/c, Partners' Capital Accounts and the Balance Sheet of the newly constituted firm.

OR

X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1.Their Balance Sheet as at 31st March, 2018 was as follows:

Liabilities	Rs.	Assets		Rs.
Bills Payable	90,000	Cash at Bank		44,000
Creditors	36,000	Debtors	70,000	
General Reserve	18,000	Less: Provision for		
Investment Fluctuation Fund	4,000	doubtful debts	(10,000)	60,000
Capital A/cs:		Stock		80,000
X	1,40,000	Investments		44,000
Y	1,60,000	Furniture		48,000
Z	1,00,000	Machinery		2,48,000
		Goodwill		24,000
	5,48,000			5,48,000

On the above date Y retired. It is agreed that:
(i) Goodwill of the firm will be valued at Rs. 90,000.
(ii) Value of Machinery and Furniture to be depreciated by 5%.
(iii) Provision for doubtful debts to be maintained at 20% on Sundry Debtors.
(iv) Out of total insurance paid, premiums amounting to the extent of Rs. 1,000 to be treated as prepaid insurance. This was earlier debited to the Profit and Loss Account.
(v) The total capital of the new firm is decided to be Rs. 2,40,000. Necessary adjustments to be made in cash.
(vi) Y will be paid 20% of the total amount due to him in cash and the balance will be transferred to his Loan Account.

Pass necessary journal entries. 8

PART - B

(ANALYSIS OF FINANCIAL STATEMENTS)

Q18. A Company purchased Machinery worth Rs. 1 crore on hire purchases basis (instalment-payment plan). The Accountant seeks your advice in accounting for the following under operating, investing and financing activity in the preparation of the Cash Flow Statement:
(i) payment of principal amount
(ii) payment of interest on the same 1

Q19. How does preparation of Cash Flow Statement help in efficient cash management? 1

Q20. Under which major heads and subheads of the Balance Sheet of a company, will the following items be shown:
(i)Stores and Spares
(ii)Interest on calls in advance
(iii)Encashment of Employees Earned Leaves payable on Retirement
(iv)Mining Rights 4

Q21. AB Ltd. has provided its manager with the following data:

Cost of Revenue from operations	Rs. 16,00,000
Closing Trade Receivables	Rs. 80,000 more than that in the beginning
Cash sales	1/4th of credit sales

Trade Receivables Turnover ratio	5 Times
Gross Profit Ratio	20 %

Help the manager calculate the Opening and Closing Trade Receivables.

OR

XY Ltd. has provided its manager with the following data:

Working capital	Rs. 1,20,000
Prepaid expenses	Rs. 20,000
Inventories (including Loose Tools of Rs. 40,000)	Rs. 70,000
Liquid assets	Rs. 1,50,000

Help the manager calculate the Current ratio and the Liquid ratio. 4

Q22. From the following Balance Sheet of Suncity Ltd. as at 31st March, 2018, prepare Common-Size Balance Sheet:

Particulars	**Note No.**	**31.3.18 (Rs.)**	**31.3.17 (Rs.)**
I. EQUITY AND LIABILITIES			
1.Shareholder's Funds			
(a)Share Capital		80,00,000	60,00,000
(b)Reserve & Surplus		12,00,000	8,00,000
2.Non-Current Liabilities			
Long-term borrowings		24,00,000	20,00,000
3.Current Liabilities			
Short-term borrowings		4,00,000	22,00,000
TOTAL		1,20,00,000	1,10,00,000
II. ASSETS			
1. Non-Current Assets			
(a)**Fixed Assets**			
(i) Tangible assets		80,00,000	60,00,000
(ii) Intangible assets		4,00,000	12,00,000
2. Current Assets			
(a)Inventories		24,00,000	20,00,000
(b) Cash & cash equivalents		12,00,000	18,00,000
TOTAL		1,20,00,000	1,10,00,000

OR

Prepare a comparative Income statement from the following information of Moonlight Ltd:

Particulars	**31.3.2018**	**31.3.2017**
Revenue from operations	Rs. 10,00,000	Rs. 7,50,000
Other Income	Rs. 1,00,000	Rs. 75,000
Purchases of Stock-in-Trade	Rs. 7,50,000	Rs. 6,00,000
Change in Inventories of Stock-in-Trade	Rs. (50,000)	Rs. 10,000
Other Expenses	Rs. 10,000	Rs. 7,500

Rate of Income Tax	50%	50%

4

Q23. From the following information of Ramesh Ltd., prepare Cash Flow Statement

Balance Sheet of Ramesh Ltd.
as at 31st March 2018 and 2017

Particulars	Note No.	31.3.18 (Rs.)	31.3.17 (Rs.)
I. EQUITY AND LIABILITIES			
1.Shareholder's Funds			
(a)Share Capital		3,20,000	2,40,000
(b)Reserves & Surplus	1	1,36,000	1,24,000
2.Non-Current Liabilities			
Long-term borrowings-12% Debentures		2,00,000	1,20,000
3.Current Liabilities			
(a)Trade Payables		88,000	68,000
(b) Short-term provisions(Provision for Tax)		12,000	8,000
TOTAL		7,56,000	5,60,000
II. ASSETS			
1. Non-Current Assets			
(a)**Fixed Assets**			
(i) Tangible assets(Machinery)		3,36,000	2,64,000
(ii) Intangible assets(Goodwill)		56,000	80,000
(iii)Long – term Investments		64,000	24,000
2. Current Assets			
(a)Inventories		40,000	32,000
(b)Trade Receivables		1,56,000	64,000
(c) Cash & cash equivalents		1,04,000	96,000
TOTAL		7,56,000	5,60,000

Notes to accounts:

Particulars	31.3.18(Rs.)	31.3.17(Rs.)
1. Reserves & Surplus		
Reserves	80,000	72,000
Balance of statement of Profit and Loss	56,000	52,000
	1,36,000	1,24,000

Additional information:

(a) Investments costing Rs.24,000 were sold for Rs. 16,000.
(b) Depreciation on Machinery Rs. 48,000.

(c) Tax paid Rs. 4,800.
(d) Debentures were issued and investments were purchased and sold on March 31^{st} 2018. 6