Sample Question Paper

Accountancy (055): Class XII: 2017-18

Time: 3 Hours Maximum Marks: 80

General Instructions:

1) *This question paper contains two parts- A and B.*
2) *Part A is compulsory for all.*
3) *Part B has two options- 'Analysis of Financial Statements' and 'Computerised Accounting'.*
4) *Attempt any one option of Part B.*
5) *All parts of a question should be attempted at one place.*

Part A

(Accounting for Partnership Firms and Companies)

1. Six friends started a partnership business by investing Rs. 2,00,000 each. They decided to share profit equally. Name the terms by which they will be called individually and collectively. 1

Solution: Individually: Partners ½

Collectively: Firm ½

2. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. B was guaranteed a profit of Rs. 2,00,000. During the year the firm earned a profit of Rs. 84,000. Calculate the net amount of Profit / Loss transferred to the capital accounts of A and C.1

Solution: Net Amount of Loss transferred to:

A's Capital Account: Rs. 87,000 ½

C's Capital Account: Rs. 29,000 ½

3. H, P and S were partners in a firm sharing profits in the ratio of 4 : 3 : 3. On August 1, 2017, P died. His 20 % share was acquired by H and remaining by S. Calculate the new profit sharing ratio. 1

Solution: Ratio of H, P and S is 4 : 3 : 3

H's Gain = 3/10 X 20 /100 = 3 /50

H's new share = H's old share + H's Gain

= 4/10 + 3/50 = 23/50 ½

S's Gain = 3/10 X 80 /100 = 12 /50

S's new share = S's old share + S's Gain

= 3/10 + 12/50 = 27/50 ½

New Profit sharing Ratio of H and S is 23 : 27

4. How is dissolution of partnership different from dissolution of partnership firm? 1

Solution: In case of dissolution of partnership, the firm continue to do business but with a changed agreement. In case of dissolution of partnership firm, the firm ceases to exist, the assets of the firm are realised and its liabilities are discharged. 1

5. Why are irredeemable debentures also known as perpetual debentures?1

Solution: Irredeemable debentures are called perpetual debentures because these are not repayable during the life span of the company. 1

6. Distinguish between shares and debentures on the basis of convertibility.1

Solution: Shares cannot be converted into debentures or any other security whereas the debentures can be converted into shares or new debentures if the terms so provide. 1

7. K K Limited obtained a loan of Rs. 10,00,000 from State Bank of India @ 9 % interest. The company issued Rs. 15,00,000, 9 % debentures of Rs. 100/- each, in favour of State Bank of India as collateral security. Pass necessary Journal entries for the above transactions:
   (i) When company decided not to record the issue of 9 % Debentures as collateral security.
   (ii) When company decided to record the issue of 9 % Debentures as collateral security.

3

Solution: (i) K K Limited

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Bank Account Dr. To Bank Loan Account (Obtained loan from State Bank of India @ 9 %.)		10,00,000	 10,00,000

1

(ii) K K Limited

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Bank Account Dr. To Bank Loan Account (Obtained loan from State Bank of India @ 9 %.)		10,00,000	 10,00,000
	Debenture Suspense Account Dr. To 9 % Debentures Account (Issued 9 % Debentures as collateral security in favour of State Bank of India)		15,00,000	 15,00,000

1+1

8. P, Q and R were partners sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on March 31 every year. On June 30, 2017, R died. The following information is provided on R's death:
   (i) Balance in his capital account in the beginning of the year was Rs. 6,50,000.
   (ii) He withdrew Rs. 60,000 on May 15, 2017 for his personal use.

On the date of death of a partner the partnership deed provided for the following:

(a) Interest on capital @ 10 % per annum.
(b) Interest on drawings @ 12 % per annum.
(c) His share in the profit of the firm till the date of death, to be calculated on the basis of the rate of Net Profit on Sales of the previous year, which was 25 %. The Sales of the firm till June 30, 2017 were Rs. 6,00,000.

Prepare R's Capital Account on his death to be presented to his executors.3

Solution:

R's Capital Account

Date 2017	Particulars	JF	Amount (Rs)	Date 2017	Particulars	JF	Amount (Rs)
Jun 30	To Drawings A/C		60,000	Apr 1	By Balance b/d		6,50,000
Jun 30	To Interest on Drawings A/C		900	Jun 30	By Interest on Capital A/c		16,250
Jun 30	To R's Executor's A/c		6,35,350	Jun 30	By Profit & Loss Suspense A/C		30,000
			6,96,250				6,96,250

½ X 6 = 3

Note: ½ mark may be deducted if the dates are not correctly recorded.

9. M M Limited is registered with an Authorised capital of Rs. 200 Crores divided into equity shares of Rs. 100 each. On 1st April 2016 the Subscribed and Called up capital of the company is Rs. 10,00,00,000. The company decided to help the unemployed youth of the naxal affected areas of Andhra Pradesh, Chhattisgarh and Odisha by opening 100 'Skill Development Centres'. The company also decided to provide free medical services to the villagers of these states by starting mobile dispensaries. To meet the capital expenditure of these activities the company further issued 1,00,000 equity shares during financial year 2016-17. These shares were fully subscribed and paid.

   Present the share capital of the company in its Balance Sheet. Also identify any two values that the company wants to propagate. 3

Solution: M M Limited

Balance Sheet

as at ……………………………(Rs. In Crores)

Particulars	Note Number	31-03-2017 Rs.	31-03-2016 Rs.
I. Equity and Liabilities			
1. Shareholders' Funds			
a) Share Capital	1	11	10

Notes to Accounts:

Note Number 1 (Rs. In Crores)

Particulars	31-03-2017 Rs.
Share Capital: Authorised Capital 2,00,00,000 Equity Shares of Rs. 100 each	200
Issued Capital 11,00,000 Equity shares of Rs. 100 each	11
Subscribed Capital Subscribed and Fully paid 11,00,000 Equity shares of Rs. 100 each	11
Share Capital	11

1

Values: Generation of Employment opportunities in backward areas.

Providing Healthcare/Medical facilities in rural areas. Or any other value 1

10. V K Limited purchased machinery from Modern Equipment Manufacturers Limited. The company paid the vendors by issue of some equity shares and debentures and the balance through an acceptance in their favour payable after three months. The accountant of the company, while Journalising the above mentioned transactions, left some items blank. You are required to fill in the blanks.3

V K Limited

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Machinery Account Dr. To …………………………………………………… (Purchased machinery for Rs. 7,00,000 from Modern Equipment Manufacturers Limited)		……………………	 ……………………
	Modern Equipment Manufacturers Ltd. A/C Dr. Loss on Issue of 9 % Debentures Account Dr. To ………………………………………………. To ………………………………………………. To Securities Premium Reserve Account To Premium on Redemption of Debentures A/C (Issued Rs. 1,00,000 9 % debentures at a discount of 10 % redeemable at a premium of 10 % and 50,000 equity shares of Rs. 10 each issued at a premium of 15 %)		……………….. ………………..	 …………………… ……………………. …………………….. ……………………
	……………………………………………… Dr. To …………………………………………… (……………………………………………………………………)		………………….	 ……………………..

Solution:

V K Limited

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Machinery Account Dr. To Modern Equipment Manufacturers Limited (Purchased machinery for Rs. 7,00,000 from Modern Equipment Manufacturers Limited)		7,00,000	 7,00,000
	Modern Equipment Manufacturers Ltd. A/C Dr. Loss on Issue of 9 % Debentures Account Dr. To 9 % Debentures Account To Equity Share Capital Account To Securities Premium Reserve Account To Premium on Redemption of Debentures A/C (Issued Rs. 1,00,000 9 % debentures at a discount of 10 %,redeemable at a premium of 10 % and 50,000 equity shares of Rs. 10 each issued at a premium of 15 %)		6,65,000 20,000	 1,00,000 5,00,000 75,000 10,000
	Modern Equipment Manufacturers Ltd. A/C Dr. To Bills Payable Account (Acceptance given to Modern Equipment Manufacturers Limited)		 35,000	 35,000

1 + 1 +1 = 3

11. E, F and G were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On March 31, 2017, their firm was dissolved. On the date of dissolution, the Balance Sheet of the firm was as follows:

Balance Sheet

as at March 31, 2017

Liabilities		Rs.	Assets	Rs.
Capitals:			G's Capital	500
E	1,30,000		Profit & Loss Account	10,000
F	1,00,000	2,30,000	Land & Building	1,00,000
Creditors		45,000	Furniture	50,000
Outstanding Expenses		17,000	Machinery	90,000
			Debtors	36,500
			Bank	5,000
		2,92,000		2,92,000

F was appointed to undertake the process of dissolution for which he was allowed a remuneration of Rs. 5,000. F agreed to bear the dissolution expenses. Assets realized as follows:

(i) The Land & Building was sold for Rs. 1,08,900.

(ii) Furniture was sold at 25% of book value.

(iii) Machinery was sold as scrap for Rs. 9,000.

(iv) All the Debtors were realized at full value.

Creditors were payable on an average of 3 months from the date of dissolution. On discharging the Creditors on the date of dissolution, they allowed a discount of 5%.

Pass necessary Journal entries for dissolution in the books of the firm.4

Solution: E, F and G

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Realisation Account Dr. To Land & Building Account To Furniture Account To Machinery Account To Debtors Account (Individual Assets accounts closed by transferring their balances to Realisation Account)		2,76,500	 1,00,000 50,000 90,000 36,500
	Creditors Account Dr. Outstanding Expenses Account Dr. To Realisation Account (Individual External Liabilities Accounts closed by transferring their balances to Realisation Account)		45,000 17,000	 62,000
	Bank Account Dr. To Realisation Account (Assets realized and debtors collected)		1,66,900	 1,66,900
	Realisation Account Dr. To Bank Account (Creditors paid at a discount of 5% and payment of outstanding expenses)		59,750	 59,750
	Realisation Account Dr. To F's Capital Account (Remuneration paid to F for undertaking dissolution process)		5,000	 5,000
	E's Capital Account Dr. F's Capital Account Dr. G's Capital Account Dr. To Realisation Account (Loss on Realisation transferred to partners' Capital Accounts)		44,940 44,940 22,470	 1,12,350

	E's Capital Account Dr. F's Capital Account Dr. G's Capital Account Dr. To Profit & Loss Account (Profit & Loss Account transferred to partners' Capital Accounts)		4,000 4,000 2,000	10,000
	Bank Account Dr. To G's Capital Account (Final payment received from G)		24,970	24,970
	E's Capital Account Dr. F's Capital Account Dr. To Bank Account (Final payment made to E and F)		81,060 56,060	1,37,120

4

12. A, B & C were partners in a firm sharing profits & losses in the ratio of 3 : 2 : 1. On March 31, 2017, their Balance Sheet was as follows:

Balance Sheet

as at March 31, 2017

Liabilities		Rs.	Assets	Rs.
Capitals:			Fixed Assets	1,80,000
A	50,000		Current Assets	35,000
B	40,000			
C	30,000	1,20,000		
Reserve Fund		18,000		
Creditors		27,000		
Employees Provident Fund		50,000		
		2,15,000		2,15,000

From April 1, 2017, they decided to share future profits equally. For this purpose the followings were agreed upon:

(i) Goodwill of the firm was valued at Rs. 3,00,000.

(ii) Fixed Assets will be depreciated by 10%.

(iii) Capitals of the partners will be in proportion to their new profit sharing ratio. For this purpose, Current Accounts will be opened.

Pass necessary Journal entries for the above transactions in the books of the firm. 4

Solution:

A, B and C

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	C's Capital Account Dr. To A's Capital Account (Treatment of goodwill due to change in profit		50,000	50,000

	sharing ratio)			
	Reserve Fund Account Dr. To A's Capital Account To B's Capital Account To C's Capital Account (Reserve Fund transferred to partners' capital accounts in their old profit sharing ratio)		18,000	 9,000 6,000 3,000
	Revaluation Account Dr. To Fixed Assets Account (Revaluation of fixed assets on change in profit sharing ratio)		18,000	 18,000
	A's Capital Account Dr. B's Capital Account Dr. C's Capital Account Dr. To Revaluation Account (Loss on revaluation transferred to partners' capital accounts)		9,000 6,000 3,000	 18,000
	A's Capital Account Dr. To A's Current Account (Adjustment of capital by opening of current account)		60,000	 60,000
	C's Current Account Dr. To C's Capital Account (Adjustment of capital by opening of current account)		60,000	 60,000

4

13. L, M and N are partners in a firm sharing profits & losses in the ratio of 2 : 3 : 5.

On April 1, 2016 their fixed capitals were Rs. 2,00,000, Rs. 3,00,000 and Rs. 4,00,000 respectively. Their partnership deed provided for the following:

(i) Interest on capital @ 9% per annum.

(ii) Interest on Drawings @ 12% per annum.

(iii) Interest on partners' loan @ 12% per annum.

On July 1, 2016, L brought Rs. 1,00,000 as additional capital and N withdrew Rs. 1,00,000 from his capital. During the year L, M and N withdrew Rs. 12,000, Rs. 18,000 and Rs. 24,000 respectively for their personal use. On January 1, 2017 the firm obtained a Loan of Rs. 1,50,000 from M. The Net profit of the firm for the year ended March 31, 2017 after charging interest on M's Loan was Rs. 85,000.

Prepare Profit & Loss Appropriation Account and Partners Capital Account.6

Solution: Profit & Loss Appropriation Account

for the year ended March 31, 2017

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)

To Interest on Capital:			By Profit & Loss Account- Net Profit b/d	85,000
L's Current Account	24,750		By Interest on Partners' Drawings	
M's Current Account	27,000		L's Current Account 720	
N's Current Account	29,250		M's Current Account 1,080	
		81,000	N's Current Account 1,440	
To Profit transferred to Partners' Current Accounts				3,240
L	1,448			
M	2,172			
N	3,620			
		7,240		
		88,240		88,240

4

Partners' Capital Account

Date	Particulars	L	M	N	Date	Particulars	L	M	N
2016 Jul 1	To Bank Account			1,00,000	2016 Apr 1	By Balance b/d	2,00,000	3,00,000	4,00,000
2017 Mar 31	To Balance c/d	3,00,000	3,00,000	3,00,000	Jul 1	By Bank Account	1,00,000		
		3,00,000	3,00,000	4,00,000			3,00,000	3,00,000	4,00,000

2

14. Himanshu and Vikrant are partners in a firm and share profits equally. Their Balance Sheet as on March 31, 2017 is as follows:

Balance Sheet

as at March 31, 2017

Liabilities	Rs.	Assets	Rs.
Capitals:		Fixed Assets	3,60,000
Himanshu 2,00,000		Current Assets	40,000
Vikrant 1,40,000			
	3,40,000		
Creditors	60,000		
	4,00,000		4,00,000

During the year 2016-17, Himanshu's Drawings were Rs. 30,000 and Vikrant's Drawings were Rs. 40,000. During the year 2016-17 the firm earned profits ofRs. 1,00,000. While distributing profits for the year 2016-17, interest on capital @ 5 % per annum and interest on drawings @ 12 % per annum were ignored.

Showing your workings clearly, pass necessary rectifying entry. 6

Solution: Statement of Opening Capital

Particulars	Himanshu	Vikrant
Closing Capital	2,00,000	1,40,000
Add: Drawings	30,000	40,000
	2,30,000	1,80,000
Less: Profit already Distributed	50,000	50,000
Opening Capital	1,80,000	1,30,000

Statement Showing Adjustment

	Himanshu	Vikrant	Total
5 % Interest on Capital (Cr.)	9,000	6,500	15,500
12 % Interest on Drawings (Dr.)	1,800	2,400	4,200
Profit to be recovered (Dr.)	5,650	5,650	11,300
Total (Dr.)	7,450	8,050	15,500
Adjustment	1,550(Cr.)	1,550 (Dr.)	

3

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
2017 Apr 1	Vikrant's Capital Account Dr. To Himanshu's Capital Account (Adjustment of interest on Capital and interest on drawings for previous year)		1,550	 1,550

1

15. On April 1, 2013, XY Limited issued Rs. 9,00,000 10% debentures at a discount of 9%. The debentures were to be redeemed in three equal annual instalments starting from March 31, 2015. Prepare 'Discount on Issue of Debenture Account' for the first three years starting from April 1, 2013. Also show your workings clearly. 6

Solution:

Discount on Issue of 10 % Debentures Account

Date	Particulars	JF	Amount (Rs)	Date	Particulars	JF	Amount (Rs)
2013 Apr 1	To 10 % Debentures A/C		81,000	2014 Mar 31	By Statement of Profit & Loss By Balance c/d		27,000 54,000
			81,000				81,000
2014 Apr 1	To Balance b/d		54,000	2015 Mar 31	By Statement of Profit & Loss By Balance c/d		27,000 27,000
			54,000				54,000
2015 Apr 1	To Balance b/d		27,000	2016 Mar 31	By Statement of Profit & Loss By Balance c/d		18,000 9,000
			27,000				27,000

1.5+1.5+1.5=4.5

Working Notes 1.5

Year ended	**Debentures Outstanding**	**Ratio**	**Discount amount written off**
31 March 2013	9,00,000	3	3/9x 81000 = 27,000
31 March 2014	9,00,000	3	3/9x 81000 = 27,000
31 March 2015	6,00,000	2	2/9x 81000 = 18,000
31 March 2016	3,00,000	1	1/9x 81000 = 9,000

16. ZX Limited invited applications for issuing 5,00,000 Equity shares of Rs. 10 each payable at a premium of Rs. 10 each payable with Final call. Amount per share was payable as follows:

	Rs.
On Application	2
On Allotment	3
On First Call	2
On Second & Final Call	Balance

Applications for 8,00,000 shares were received. Applications for 50,000 shares were rejected and the application money was refunded. Allotment was made to the remaining applicants as follows:

Category	Number of Shares Applied	Number of Shares Allotted
I	2,00,000	1,50,000
II	5,50,000	3,50,000

Excess application money received with applications was adjusted towards sums due on allotment. Balance, if any was adjusted towards future calls. Govind, a shareholder belonging to category I, to whom 1,500 shares were allotted, paid his entire share money with allotment. Manohar belonging to category II, who had applied for 11,000 shares failed to pay 'Second & Final Call money'. Manohar's shares were forfeited after the final call. The forfeited shares were reissued at Rs. 10 per share as fully paid up.

Assuming that the company maintains "Calls in Advance Account" and "Calls in Arrears Account", pass necessary Journal entries for the above transactions in the books of ZX Limited. 8

OR

(a) AX Limited forfeited 6,000 shares of Rs. 10 each for non-payment of First call of Rs. 2 per share. The Final call of Rs. 3 per share was yet to be made. The Final call was made after Forfeited of these shares. Of the forfeited shares, 4,000 shares were reissued at Rs. 9 per share as fully paid up.Assuming that the company maintains 'Calls in Advance Account' and 'Calls in Arrears Account', prepare "Share Forfeited Account" in the books of AX Limited.

(b) BG Limited issued 2,00,000 equity shares of Rs. 20 each at a premium of Rs. 5 per share. The shares were allotted in the proportion of 5 : 4 of shares applied and allotted to all the applicants. Deepak, who had applied for 900 shares, failed to pay Allotment money of Rs. 7 per share (including premium) and on his failure to pay 'First & Final Call' of Rs. 2 per share, his shares were forfeited. 400 of the forfeited shares were reissued at Rs. 15 per share as fully paid up.Showing your working clearly, pass necessary Journal entries for the Forfeited and reissue of Deepak's shares in the books of BG Limited. The company maintains 'Calls in Arrears' Account'.

(c) ML Limited forfeited 1,200 shares of Rs. 10 each allotted to Ravi for Non-payment of 'Second & Final Call' of Rs. 5 per share (including premium of Rs. 2 per share). The forfeited shares were reissued for Rs. 10,800 as fully paid up. Pass necessary Journal entries for reissue of shares in the books of ML Limited.

Solution: Journal

Date	Particulars	L F	Dr. Amount	Cr. Amount

			(Rs.)	(Rs.)
	Bank Account Dr. To Equity Share Application Account (Application money received)		16,00,000	16,00,000
	Equity Share Application Account Dr. To Equity Share Capital Account To Equity Share Allotment Account To Bank Account (Application money transferred to Equity Share Capital account, Equity Share Allotment account and remaining amount refunded)		16,00,000	10,00,000 5,00,000 1,00,000
	Equity Share Allotment Account Dr. To Equity Share Capital Account (Allotment money due on 5,00,000 equity shares @ Rs. 3 each)		15,00,000	15,00,000
	Bank Account Dr. To Equity Share Allotment Account To Calls in Advance Account (Allotment money received along with Calls in Advance on 1,500 Shares)		10,22,500	10,00,000 22,500
	Equity Share First Call Account Dr. To Equity Share Capital Account (First Call money due on 5,00,000 equity shares @ Rs. 2 each)		10,00,000	10,00,000
	Bank Account Dr. Calls in Advance Account Dr. To Equity Share First Call Account (First call money received)		9,97,000 3,000	10,00,000
	Equity Share Final Call Account Dr. To Equity Share Capital Account To Securities Premium Reserve Account (Final Call money due on 5,00,000 equity shares @ Rs. 13 each including premium of Rs. 10 each)		65,00,000	15,00,000 50,00,000
	Bank Account Dr. Calls in Advance Account Dr. Call in Arrears Account Dr. To Equity Share Final Call Account (Final call money received)		63,89,500 19,500 91,000	65,00,000
	Equity Share Capital Account Dr. Securities Premium Reserve Account Dr. To Share Forfeited Account To Calls in Arrears Account (Manohar's Shares forfeited)		70,000 70,000	49,000 91,000
	Bank Account Dr. To Equity Share Capital Account (Forfeited Shares of Manohar re-issued)		70,000	70,000
	Share Forfeited Account Dr. To Capital Reserve Account (Share forfeited account transferred to capital reserve account)		49,000	49,000

8

OR

(a) Share Forfeited Account

Date	Particulars	JF	Amount (Rs.)	Date	Particulars	JF	Amount (Rs.)

	To Share Capital Account To Capital Reserve A/C To Balance c/d		4,000 16,000 10,000		By Share Capital A/C		30,000
			30,000				30,000

½ X 4 =2

(b) Journal

Date	Particulars		L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Share Capital Account	Dr.		14,400	
	Securities Premium Reserve	Dr.		2,160	
	To Share Forfeited Account				12,960
	To Calls in Arrears Account				3,600
	(720 Shares forfeited)				
	Bank Account	Dr.		6,000	
	Share Forfeited Account	Dr.		2,000	
	To Share Capital Account				8,000
	(400 Shares re-issued @ Rs. 15 each)				
	Share Forfeited Account	Dr.		5,200	
	To Capital Reserve Account				5,200
	(Gain on re-issue of forfeited shares transferred to capital reserve account)				

Working Notes:

(i) Since the Shares are allotted in the proportion of 5 : 4, therefore for 900 applied shares, shares allotted are 4/5 X 900 = 720 Shares.

(ii) Application Money Received on 900 Shares = 900 X 16 = 14,400
Amount adjusted on Application = 720 X 16 = 11,520
Amount to be adjusted on Allotment = 2,880

(iii) Allotment Money due on 720 Shares = 720 X 7 = 5,040
Less: Already received = 2,880
Allotment Money not received = 2,160

(iv) Calls in Arrears:
Allotment Money = 2,160
First & Final Call Money = 1,440
3,600

(1 mark for each correct Journal Entry and 1 mark for Working Notes)

(c) Journal

Date	Particulars		L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Bank Account	Dr.		10,800	
	Share Forfeited Account	Dr.		1,200	
	To Share Capital Account				12,000
	(1,200 Shares re-issued for Rs. 10,800 as fully paid up)				
	Share Forfeited Account	Dr.		7,200	
	To Capital Reserve Account				7,200
	(Gain on re-issue of forfeited shares transferred to capital reserve account)				

1 X 2 = 2

17. 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		Debtors	15,000	
C	2,00,000	10,00,000	Less: Provision for Doubtful Debts	1,500	13,500
General Reserve		75,000	A's Loan		35,500
Creditors		23,000	Plant & Machinery		2,00,000
Outstanding Salary		7,000	Land & Building		6,00,000
B's Loan		15,000	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, Partners' Current Accounts and the Balance Sheet of the reconstituted firm. 8

OR

P & K were partners in a firm. On March 31, 2017 their Balance Sheet was as follows:

Balance Sheet

as at March 31, 2017

Liabilities		Rs.	Assets	Rs.
Capitals:			Bank	18,000
P	3,00,000		Stock	19,000

K 2,00,000	5,00,000	Debtors 22,000	
General Reserve	1,00,000	Less: Provision for Doubtful Debts 1,500	20,500
Creditors	50,000	Unexpired Insurance	5,000
Outstanding Expenses	8,000	Shares in X Limited	65,000
C's Loan	1,20,000	Plant & Machinery	1,45,500
Profit & Loss Account (Profit for 2016-17)	55,000	Land & Building	5,60,000
	8,33,000		8,33,000

On April 1, 2017, they decided to admit C as a new partner for 1/4th share in profits on the following terms:

(i) C's Loan will be converted into his capital.

(ii) C will bring his share of goodwill premium by cheque. Goodwill of the firm will be calculated on the basis of Average Profits of previous three years. Profits for the year ended March 31, 2015 and March 31, 2016 were Rs. 55,000 and Rs. 1,00,000 respectively.

(iii) 10% depreciation will be charged on Plant & Machinery and Land & Building will be appreciated by 5%.

(iv) Capitals of P & K will be adjusted on the basis C's capital. Adjustments be done through bank and in case required overdraft facility be availed.

Pass necessary Journal entries on C's admission. 8

Solution:Revaluation Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant & Machinery	20,000	By Provision for Doubtful Debts	750
To Profit transferred to Partners' Current Accounts		By Land & Building	90,000
A 35,375			
B 21,225			
C 14,150	70,750		
	90,750		90,750

Partners' Current Accounts

Date	Particulars	A	B	C	Date	Particulars	A	B	C
2017	To C's Current Account	38,250	22,950		2017	By Revaluation Account	35,375	21,225	14,150
Mar 31	To Profit & Loss A/C	1,20,500	72,300	48,200	Mar 31	By A's Current Account			38,250
	To C's Capital Account			42,150		By B's Current Account			22,950
						By General Reserve	37,500	22,500	15,000
						By Balance c/d	85,875	51,525	
		1,58,750	95,250	90,350			1,58,750	95,250	90,350

Partners' Capital Accounts

Date	Particulars	A	B	C	Date	Particulars	A	B	C
2017 Mar 31	To Bank Account To C's Loan Account To Balance c/d	 5,00,000	 3,00,000	35,500 2,06,650	2017 Mar 31	By Balance b/d By C's Current Account	5,00,000	3,00,000	2,00,000 42,150
		5,00,000	3,00,000	2,42,150			5,00,000	3,00,000	2,42,150

Balance Sheet

as at March 31, 2017

Liabilities		Amount (Rs.)	Assets		Amount (Rs.)
Capitals:			Bank		21,000
A	5,00,000		Stock		9,000
B	3,00,000		Debtors	15,000	
		8,00,000	Less: Provision for D. Debts	750	14,250
C's Loan		2,06,650	Plant & Machinery		1,80,000
Creditors		23,000	Land & Building		6,90,000
Outstanding Salary		7,000	A's Current Account		85,875
B's Loan		15,000	B's Current Account		51,525
		10,51,650			10,51,650

2 + 2 + 2 + 2 = 8

OR

Journal

Date	Particulars	L F	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	C's Loan Account Dr. To C's Capital Account (C's Loan account transferred to his capital account)		1,20,000	 1,20,000
	Bank Account Dr. To Premium for Goodwill Account (New partner C brings in his share of goodwill)		17,500	 17,500
	Premium for Goodwill Account Dr. To P's Capital Account To K's Capital Account (Premium for Goodwill transferred to old partners' capital accounts in their sacrificing ratio)		17,500	 8,750 8,750
	Revaluation Account Dr. To Plant & Machinery Account (Revaluation of Plant & Machinery on admission of new partner)		14,550	 14,550
	Land & Building Account Dr. To Revaluation Account (Revaluation of Land & Building on admission of new partner)		28,000	 28,000
	Revaluation Account Dr. To P's Capital Account To K's Capital Account (Profit on revaluation transferred to partners' capital accounts)		13,450	 6,725 6,725

	General Reserve Account Dr. To P's Capital Account To K's Capital Account (General Reserve transferred to partners' capital account)			1,00,000	 50,000 50,000
	Profit & Loss Account Dr. To P's Capital Account To K's Capital Account (Profit & Loss account transferred to partners' capital account)			55,000	 27,500 27,500
	P's Capital Account Dr. K's Capital Account Dr. To Bank Account (Cash paid to P and K for adjustment of capital)			2,12,975 1,12,975	 3,25,950

8

Part B

Option I

(Analysis of Financial Statements)

18. Give any two examples of cash inflows from operating activities other than cash receipts from sale of goods & rendering of services.1

Solution: Any two of the followings:

(i) Royalties

(ii) Commission Received

(iii) Sale of Scrap

½ X 2 = 1

19. P P Limited is Share Broker Company. G G Limited is engaged in manufacturing of packaged food. P P Limited purchased 5,000 equity shares of Rs. 100 each of Savita Limited. G G Limited also purchased 10,000 equity shares of Rs. 100 each of Savita Limited.

For the purpose of preparing their respective Cash Flow Statements, under which category ofactivities the purchase of shares will be classified by P P Limited and G G Limited? 1

Solution: For P P Limited: Investing Activity ½

For G G Limited: Investing Activity ½

20. M K Limited is a computer hardware manufacturing company. While preparing its accounting records it takes into consideration the various accounting principles and maintains transparency. At the end of the accounting year, the company follows the *'Companies Act, 2013 and Rules thereunder'* for the preparation of its Financial Statements. It also prepares its Income Statement and Balance Sheet as per the format provided in Schedule III to the Act. Its Financial Statements depict its true & fair financial position. For the financial year ending March 31, 2017, the accountant of the company is not certain about the presentation of the following items under relevant Major Heads & Sub Heads, if any, in its Balance Sheet:

(i) Securities Premium Reserve

(ii) Calls in Advance

(iii) Stores & Spares

(a) Advice the accountant of the company under which Major Heads and Sub Heads, if any, he should present the above items in the Balance Sheet of the company,

(b) List any two values that the company is observing in the maintenance of its accounting records and preparation of its financial statements.4

Solution: (a)

S. No.	Items	Major Head	Sub Head
(i)	Securities Premium Reserve	Shareholders' Funds	Reserves & Surplus
(ii)	Calls in Advance	Current Liabilities	Other Current Liabilities
(iii)	Stores & Spares	Current Assets	Inventory

3

(b) Any two of the following values: Transparency, Honesty, Abiding the Law. (Or any other relevant value) 1

21. For the year ended March 31, 2017, Net Profit after tax of K X Limited was Rs. 6,00,000. The company has Rs. 40,00,000 12% Debentures of Rs. 100 each. Calculate Interest Coverage Ratio assuming 40% tax rate. State its significance also. Will the Interest Coverage Ratio change if during the year 2017-18, the company decides to redeem debentures of Rs. 5,00,000 and expects to maintain the same rate of Net Profit and assume that the Tax rate will not change. 4

Solution: Interest Coverage Ratio= Net Profit before Interest and Tax/ Interest on Long Term Debts

Net Profit after Tax = Rs. 6,00,000Tax Rate = 40 %

Net Profit before tax = 100/(100 – Tax) X Net Profit after tax

= 100/ 60 X 6,00,000 = 10,00,000

Net Profit before Interest & Tax = Net Profit before tax + Interest on Long Term Debts

= 10,00,000 + 4,80,000 = 14,80,000

Interest Coverage Ratio= Net Profit before Interest and Tax / Interest on Long Term Debts 1

= 14,80,000 / 4,80,000 = 3.08 Times 1

Significance of Interest Coverage Ratio: It reveals the number of times Interest on Long Term Debts is covered by the profits available. A higher ratio ensures safety of interest on Long Term Debts. 1

The Interest coverage ratio will improve if the company decides to redeem Rs. 5,00,000 debentures assuming that Net Profit after interest and the tax rate will be same. 1

22. Following is the Statement of Profit & Loss of X L Limited for the year ended March 31, 2017:

Statement of Profit & Loss

for the year ended March 31, 2017

Particulars	Notes to Accounts	2015-16 Amount (Rs.)	2016-17 Amount (Rs.)
Revenue from Operations		50,00,000	80,00,000
Expenses:			

(a) Employee Benefit Expenses: 10 % of Revenue from Operations (b) Other Expenses		10,00,000	12,00,000
Tax Rate 40 %			

Prepare Comparative Statement of Profit & Loss of X L Limited.4

Solution: X L Limited

Comparative Statement of Profit & Loss

for the year ended March 31, 2016 and 2017

Particulars	2015-16 Amount (Rs.)	2016-17 Amount (Rs.)	Absolute Change (Rs.)	% age Change
Revenue from Operations	50,00,000	80,00,000	30,00,000	60
Expenses:				
(a) Employee Benefit Expenses: 10 % of Revenue from Operations	5,00,000	8,00,000	3,00,000	60
(b) Other Expenses	10,00,000	12,00,000	2,00,000	20
Net Profit before Tax	35,00,000	60,00,000	25,00,000	71.43
Less: Tax	14,00,000	24,00,000	10,00,000	71.43
Net Profit after Tax	21,00,000	36,00,000	15,00,000	71.43

(1 mark for each column)4

23. From the following Balance Sheet of Ajanta Limited as on March 31, 2017, prepare a Cash Flow Statement:

Particulars	Note Number	31-3-2017 (Rs.)	31-3-2016 (Rs.)
I.Equity and Liabilities			
(1) Shareholders' Funds			
(a) Equity Share Capital		10,00,000	10,00,000
(b) Reserves and Surplus	1	2,40,000	1,20,000
(2) Non- Current Liabilities			
Long-Term Borrowings- 9 % Debentures		3,20,000	2,40,000
(3) Current Liabilities			
(a) Trade Payables	2	1,80,000	2,40,000
(b) Other Current Liabilities	3	1,80,000	1,60,000
Total		19,20,000	17,60,000
II. Assets			
(1) Non-Current Assets			
(a) Fixed Assets			
Tangible Assets	4	13,40,000	12,00,000
(b) Non-Current Investments	5	2,40,000	1,60,000
(2) Current Assets			
(a) Inventories		1,20,000	1,60,000
(b) Trade Receivables		1,60,000	1,60,000
(c) Cash and Cash Equivalents		60,000	80,000
Total		19,20,000	17,60,000

Notes to Accounts

Note Number	Particulars	31-3-2017 (Rs.)	31-3-2016 (Rs.)

1	Reserves and Surplus		
	General Reserve	1,20,000	1,20,000
	Balance in Statement of Profit & Loss	1,20,000	....
		2,40,000	1,20,000
2	Trade Payables		
	Creditors	1,40,000	1,20,000
	Bills Payable	40,000	1,20,000
		1,80,000	2,40,000
3	Other Current Liabilities		
	Outstanding Rent	1,80,000	1,60,000
		1,80,000	1,60,000
4	Tangible Assets		
	Plant & Machinery	14,90,000	13,00,000
	Accumulated Depreciation	(1,50,000)	(1,00,000)
		13,40,000	12,00,000
5	Non-Current Investments		
	Shares in XYZ Limited	2,40,000	1,60,000
		2,40,000	1,60,000

Additional Information:

(a) During the year 2016-17, a machinery costing Rs. 50,000 and accumulated depreciation thereon Rs. 15,000 was sold for Rs. 32,000.

(b) 9 % Debentures Rs. 80,000 were issued on April 1, 2016. 6

Solution: Ajanta Limited

Cash Flow Statement

for the year ended 31st March, 2014

Particulars			Amount (Rs.)
I – CASH FLOW FROM OPERATING ACTIVITIES			
Surplus: Balance in the Statement of Profit & Loss			
Adjustment for Non- Cash and Non-Operating Items		1,20,000	
Depreciation	65,000		
Loss on sale of Machinery	3,000		
Interest on Debentures	28,800		
		96,800	
Operating Profit before changes in working capital		2,16,800	
Add: Decrease in Current Assets and Increase in Current Liabilities			
Inventories	40,000		
Outstanding Rent	20,000		
Creditors	20,000	80,000	
Less: Increase in Current Assets and Decrease in Current Liabilities			
Bills Payable		(80,000)	
		2,16,800	
Cash Flow from Operating Activities			2,16,800
II- CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Machinery		(2,40,000)	
Sale of Machinery		32,000	
Purchase of Shares in XYZ Limited		(80,000)	
		(2,88,000)	

Cash Flow from Investing Activities		(2,88,000)
III- CASH FLOW FROM FINANCING ACTIVITIES Issue of 9 % Debentures Interest on Debentures	80,000 (28,800) 51,200	
Cash Flow from Financing Activities		51,200
Net Cash Flow		(20,000)
Add: Opening Balance of Cash and Cash Equivalents		80,000
Closing Balance of Cash and Cash Equivalents		60,000

2+1+1

Plant & Machinery Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	13,00,000	By Bank Account	32,000
To Bank Account	2,40,000	By Accumulated Depreciation Account	15,000
		By Statement of Profit & Loss	3,000
		By Balance c/d	14,90,000
	15,40,000		15,40,000

1

Accumulated Depreciation Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant & Machinery Account	15,000	By Balance b/d	1,00,000
To Balance c/d	1,50,000	By Statement of Profit & Loss	65,000
	1,65,000		1,65,000

1

PART – B

Option-II

Computerised Accounting

18. While navigating in the workbook, which of the following commands is used to move to the beginning of the Current row: 1

a. [ctrl] + [home]

b. [page up]

c. [Home]

d. [ctrl] + [Back space]

Sol: (c)

19. Join line in the context of Access table means: 1

a. Graphical representation of tables between tables

b. Lines bonding the data within table

c. Line connecting two fields of a table

d. Line connecting two records of a table

Sol: (b)

20. Enumerate the basic requirements of computerized accounting system for a business organization.

Sol: The computerized accounting is one the database-oriented applications wherein the transaction data is stored in well-organized database. The user operates on such database using the required interface and also takes the required reports by suitable transformations of stored data into information. Therefore, the fundamentals of computerized accounting include all the basic requirements of any database-oriented application in computers. 4

Accounting framework………………………………………… [2]

It is the application environment of the computerized accounting. A healthy accounting framework interms of accounting principles, coding and grouping structure is a pre-condition for any computerizedaccounting system.

Operating procedure…………………………………………….... [2]

A well-conceived and designed operating procedure blended with suitable operating environment of

the enterprise is necessary to work with the computerized accounting system.

21. The generation of ledger accounts is not a necessary condition for making trial balance in a computerized accounting system. Explain. 4

Sol: In computerized accounting system, every day business transactions are recorded with the help of computer software. Logical scheme is applied for codification of account and transaction. Every account and transaction is assigned a unique code. The grouping of accounts is done from the first stage.

[Briefly explaining what is account groups and hierarchy of ledger.]

The hierarchy of ledger accounts is maintained and the data is transferred into Ledger accounts automatically by the computer. In order to produce ledger accounts the stored transaction data is processed to appear as classified so that same is presented in the form of report. The preparation of financial statements is independent of producing the trial balance. 4

22. Internal manipulation of accounting records is much easier in computerized accounting than in manual accounting. How? 4

Sol: Internal manipulation of accounting records is much easier in computerized accounting due to thefollowing:

i. Defective logical sequence at the programming stage

ii. Prone to hacking

23. Computerisation of accounting data on one hand stores voluminous data in a systematic and organized manner whereas on the other hand suffers from threats of vulnerability and manipulations. Discuss the security measures you would like to employ for securing the data from such threats. 6

Sol: Every accounting software ensures data security, safety and confidentiality. Therefore every, software should provide for the following:

• Password Security: Password is a mechanism, which enables a user to access a system including data. The system facilitates defining the user rights according to organization policy. Consequently, a person in an organization may be given access to a particular set of a data while he may be denied access to another set of data. 2

• Data Audit: This feature enables one to know as to who and what changes have been made in the original data thereby helping and fixing the responsibility of the person who has manipulated the data and also ensures data integrity. Basically, this feature is similar to Audit Trial. 2

• Data Vault: Software provides additional security through data encryption. 2