Brilliant Public School

Seepat Road Bahatarai, Bilaspur (C.G.)
Pre Board - I, 2017-18
Class – XII
Subject – Accountancy

Time: 3:00 Hours — M.M. – 80
Date: 19.12.2017 — Tuesday

General Instructions:

(i) This question paper contains two parts A and B.

(ii) All parts of a question should be attempted at one place.

(iii) Workings should form part of the answer.

PART A- ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES

1. A, B & C share p/l in the ratio of 4:3:2. D is admitted with $1/9^{th}$ share. B would retain his original share. A & C decide to share p/l equally in future. Calculate new profit sharing ratio. (1)
2. A & B are partners in a firm sharing profits in the ratio of 3:2. They had advanced to the firm a sum of Rs 40000 as a loan in their profit sharing ratio on July 1^{st} 1998. The deed is silent on the question of interest on loan from partners. Compute the interest payable by the firm to the partners, assuming the firm closes its books on Dec 31^{st}. (1)
3. ABC Ltd. purchased for cancellation its own 5,000, 9% Debentures of Rs. 100 each for Rs. 95 per debenture. The brokerage charges Rs. 15000 were incurred. Calculate the amount to be transferred to capital reserve. (1)
4. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of 'Economic Relationship'. (1)
5. When can shares held by a shareholder be forfeited? (1)
6. B is a partner in a firm. He withdraws Rs 2000 at the end of every two months for 8 months. The accounts of the firm are closed on 31^{st} Dec. Calculate interest on drawing if the rate of interest is 10% p.a. (1)
7. Surya Tubes Ltd. issued 4,00,000, 12% debentures of Rs. 1,000 each payable as follows:

   On application Rs. 300
   On allotment Rs. 700
   The debentures were fully subscribed and all the money was duly received. As per terms of issue, the debentures are redeemable at Rs. 1,100 per debenture. Record necessary entries regarding issue of debentures. (3)
8. What do you mean by Purchased and Non-Purchased Goodwill? What are their implications with regard to accounting for partnership firms? (3)
9. King Ltd. Took over assets of Rs. 25,00,000 and liabilities of Rs. 6,00,000 of Queen Ltd. King Ltd. paid the purchase consideration by issuing 10,000 equity shares of Rs. 100 each at a premium of 10% and Rs. 11,00,000 by Bank Draft. Calculate purchase consideration and pass necessary journal entries in the books of King Ltd. (3)
10. ABC Ltd. was a cloth manufacturing company located in Delhi. Being a socially aware organisation they wanted to set up a manufacturing plant in a backward area of Kashmir to provide employment to the local people. On 17^{th} July, 2014 a flood had hit the entire state of Jammu & Kashmir causing massive

destruction and loss. The company wanted to help the people, so they decided to raise the funds through issuing 50,000 Equity Shares of Rs. 50 each to set up the plant in the rural area of Kashmir.

Pass necessary journal entries for the issue of shares and identify any two values that the company wanted to communicate to the society. (3)

11. On Dec 31st 2004 Capital a/c of E, M and A after making adjustments for profits, drawing etc. were E Rs 80000, M Rs 60000 and A Rs 40000. Subsequently it was discovered that interest on capital and interest on drawing has been omitted. The partners were entitled to interest on capital @ 5% p.a. The drawings during the year were: E Rs 20000, M Rs 15000 and A Rs 9000. Interests on drawings chargeable to the partners were: E Rs 500, M Rs 360 and A Rs 200. The net profit during the year amounted to Rs 120000. The profit sharing ratio of the partners was 3:2:1. Record the necessary adjustment entries for rectifying the above errors of omissions. Show your workings. (4)

12. A, B and C were partners sharing profits and losses in the ratio of 4:3:2. C retired on 1st July, 2013 on which date the capitals of A, B and C after all necessary adjustments stood at Rs. 75,000; Rs. 65,000 and Rs. 45,000 respectively. A and B continued to carry on the business for 6 months without settling the account of C. During the period of 6 months ended 31st December, 2013, a profit of 50,000 is earned by the firm.

State which of the two options available with C under Section 37 of the Indian Partnership Act, 1932 should be exercised? (4)

13. What journal entries would you pass for the following transactions on the dissolution of a partners A & B:

(i) Dissolution expenses amounted to Rs. 500.
(ii) An unrecorded asset realized Rs. 2500.
(iii) Stock worth Rs.2000 already transferred to Realisation Account was taken over by partner A.
(iv) Creditors, already transferred to realization account were paid Rs. 3000.
(v) Profit on realization Rs. 4000 is to be distributed between partners A and B in the ratio of 3:1.
(vi) A second creditor for Rs. 30,000 accepted machinery valued at Rs. 28,000 in full settlement of his claim. (6)

14. Vimal and Nirmal are partners sharing profits in the ratio of 3:2. Following was the position of their business as on 31st December, 1983 :

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Sundry Creditors		20,000	Cash	14,000
Capital Accounts:			Debtors	18,000
Vimal	60,000		Stock	40,000
Nirmal	<u>32,000</u>	92,000	Goodwill	10,000
Profit & Loss A/c		20,000	Plant & Machinery	50,000
		1,32,000		**1,32,000**

On this day, Kailash agrees to join the business on the following terms and conditions:

He will introduce Rs. 40,000 as his capital and pay Rs. 20,000 to the existing partners for his share of goodwill.

The new profit sharing ratio will be 2:1:1 respectively for Vimal, Nirmal and Kailash.

A revaluation of assets will be made by reducing plant and machinery to Rs. 35,000 and stock by 10%. Provision of Rs. 1,000 is to be created for bad and doubtful debts.

Pass journal entries for the above arrangements and give the balance sheet of the newly constituted firm. Also specify the sacrificing ratio. (6)

15. Ruchi Ltd issued 42,000, 7% Debentures of Rs. 100 each on 1st April, 2011, redeemable at a premium of 8% on 31st March, 2015. The company decided to create DRR on 31st March, 2014. The company invested the funds as required by law in a fixed deposit with SBI on 1st April, 2014 earning interest @ 10% p.a. Tax was deducted at source by the bank on interest @ 10% p.a. Pass necessary journal entries regarding issue and redemption of debentures. (6)

16. Jay Ltd. issued a prospectus inviting applications for 1,00,000 shares of Rs. 10 each. Shares were issued at par on the following terms: application Rs. 2.50, on allotment Rs. 2.50, on first call Rs. 3 and on final call the balance.

Applications were received for 1,35,000 shares. Allotments were made on the following basis:

(i) To applicants for 25,000 shares - in full;
(ii) To applicants for 60,000 shares - 45,000 shares
(iii) To applicants for 50,000 shares - 30,000 shares

All excess amount paid on application is to be adjusted against amount due on allotment.

The shares were fully called and paid-up except the amount of allotment, first and final call by those who applied for 4,000 shares of the group applying for 50,000 shares. All the shares on which calls were not paid were forfeited by the Board of Directors. Forfeited shares were re-issued as fully paid on receipt of Rs. 9 per share. Pass the Journal entries to record the above and prepare the B/S of Jay Ltd. (8)

OR

Vinod Papers Ltd. invited applications for issuing 1,00,000 shares of Rs 10 each at a ·premium of Rs. 4 per share payable as follows:

On Application	Rs. 4 (including premium Rs. 2)
On Allotment	Rs. 4 (including premium Rs. 2)
On First & Final Call	Rs. 6

Applications were received for 1,30,000 shares and pro-rata allotment was made to all applications as follows :

(i) Applicants for 80,000 shares were allotted 60,000 shares, and
(ii) Applicants for 50,000 shares were allotted 40,000 shares.

X, who belonged to the first category and was allotted 900 shares failed to pay the allotment and call money.

Y, who belonged to the second category and who applied for 1,000 shares also failed pay the allotment and call money. Their shares were forfeited and 1,400 of the forfeited shares were re-issued @ Rs. 9 per share as fully paid -up. Re-issued shares included whole of Y's shares.

Prepare Cash Book, journal entries and Balance Sheet.

17. X, Y & Z were partners sharing profits in the ratio of 3:2:1.

Liabilities	*Rs*	*Assets*		*Rs*
General Reserve	18750	Fixed assets		75000
B/P	32250	Stock		10000
Capitals		Book Debts	35000	
X	35000	Less: Provision	2500	32500
Y	20000	Cash		4000
Z	15000	Investment		8500
Investment Fluctuation Fund	6100			
Contingency Reserve	2400			
	130000			***130000***

On the same date, X retires from the firm and the following adjustments were agreed upon:

- Goodwill of the firm is to be valued at Rs 30000 and X's share should be adjusted in the a/c's of Y & Z without opening the goodwill a/c.
- Fixed assets to be written down by 20%, stock be written up by 10% and provision for doubtful debts increased to Rs 4500, B/P to reduced by Rs 1000.
- Investments are brought down to Rs. 7900.

- Y & Z have to bring sufficient cash to pay off X and to leave cash balance of Rs 1750 in the firm.
- Capitals of Y & Z have to be readjusted in their new profits sharing ratio which is 5:3.

Show revaluation a/c, partners' capital a/c & B/S of Y & Z after retirement of X. (8)

OR

The Balance Sheet Of P, Q and R as on 31st Dec.,2002 was as follows:

Liabilities	*Rs*	*Assets*	*Rs*
Bills Payable	2000	Cash at Bank	15800
Employee's Provident Fund	5000	Bills receivable	800
Workmen compensation Reserve	9000	Stock	9000
Loans	17100	Sundry Debtors	16000
Capital accounts:		Furniture	2000
P 22750		Plant and Machinery	6500
Q 15250		Building	30000
R 12000	50000	Advertisement suspense	3000
	83100		**83100**

The profit-sharing ratio was 3:2:1.R died on 30th April, 2003. The partnership deed provides that:

a) Goodwill is to be calculated on the basis of 3 years' purchase of the preceding 5 years' average profit. The profits were: 2002 Rs.24000; 2001 Rs. 16000; 2000 Rs. 20000; 1999 Rs. 10000; 1998 Rs. 5000
b) The deceased partner should be given share of profits up to the date of death on the basis of profits for the previous year.
c) The assets have been revalued as under:
Stock Rs. 10000; Debtors Rs. 15000; Furniture Rs. 1500; Plant and Machinery Rs. 5000; Building Rs. 35000. A bill for Rs. 600 was found worthless.
d) A sum of Rs. 12233 was paid immediately to R's executors and the balance to be paid in two equal annual installments together with interest at 10% p.a. on the amount outstanding. The first instalment was paid on 30th April, 2004.
Prepare Revaluation Account and R's Executor's Account till it is finally settled. Accounts are closed on 31st Dec. each year.

PART B- ANALYSIS OF FINANCIAL STATEMENTS

18. Radha Ltd. A non financing company received dividend on shares. How will it be presented while preparing 'Cash Flow Statement'? (1)

19. Why is depreciation added back to net profit while preparing 'Cash Flow Statement'? (1)

20. a) State any two limitations of Financial Statements Analysis.

b) Identify the major heads under which the following items will be shown in the Balance Sheet of a company as per Schedule III of the Companies Act, 2003:

i) Provision for Tax
ii) Computer and related equipment.
iii) Loan payable on demand
iv) Goods acquired for trading. (4)

21. Prepare a Common size Income statement from the following Income statement and give suitable comment. (4)

Particulars	2000	2001	Particulars	2000	2001
To Cost of goods sold	220000	325000	By Net Sales	250000	350000
To Gross Profit	30000	25000			
	250000	**350000**		**250000**	**350000**
To Salaries A/c	12000	13000	By Gross Profit	30000	25000
To Adm. Exp.	1000	500			
To Adv. Exp.	5000	1000			
to Net Profit	12000	10500			
	30000	**25000**		**30000**	**25000**

22. Calculate the following ratios with the help of the information given below:
(i) Operating Ratio
(ii) Quick Ratio

Information: Equity Share Capital Rs. 100000; 8% Preference Share Capital Rs. 80000; 9% debentures Rs. 60000; General Reserve Rs. 10000; Sales Rs. 200000; Opening stock Rs. 12000; Purchases Rs. 120000; Wages Rs. 8000; Closing Stock Rs. 18000; Selling and Distribution Exp. Rs. 2000; Other Current Assets Rs. 50000 and Current Liabilities Rs. 30000. (4)

23. From the following Balance Sheets of Sunlight Ltd., prepare a cash flow statement:

Liabilities	**31.3.08**	**31.3.09**	**Assets**	**31.3.08**	**31.3.09**
Equity share capital	4,00,000	5,00,000	Machinery	1,75,000	2,10,000
General reserve	1,00,000	1,40,000	12% Investment	25,000	40,000
P & L A/c	80,000	70,000	Stock	2,80,000	3,00,000
10% Public Deposit	50,000	75000	Debtors	1,52,500	2,41,000
Creditors	40,000	35,000	Accrued Incomes	-	3,000
Outstanding expenses	2,000	8,000	Cash and Bank	34,000	30,000
			Discount on issue of Deb.	6,000	4,000
	6,72,000	**8,28,000**		**6,72,000**	**8,28,000**

(i) A machinery was purchased for Rs.50,000 during the year.
(ii) Investments costing Rs. 25,000 were sold at a loss of Rs. 3,000 during the year. (6)

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