INDIAN SCHOOL MUSCAT
SECOND PRELIMINARY EXAMINATION

SET – 1/ II/ III

ACCOUNTANCY

CLASS: XII	**Sub. Code: 055**	**Time Allotted: 3 Hrs.**
04.02.2019		**Max. Marks: 80**

EXPECTED VALUE POINTS AND SCHEME OF EVALUATION

<table>
<tr><th>Q.NO.</th><th>Answers</th><th>Marks (with split up)</th></tr>
<tr><td></td><td>PART A
ACCOUNTING FOR NOT-FOR-PROFIT ORGANISATIONS, PARTNERSHIP FIRMS AND COMPANIES</td><td></td></tr>
<tr><td>1</td><td>Unrecorded Asset</td><td>1</td></tr>
<tr><td>2</td><td>Premium for Goodwill is not recorded in the books of accounts when the incoming partner pays it privately to the sacrificing partner.
Or
General Reserve represents accumulated profits relating to the period prior to the admission of a new partner. It belongs to old partners and, therefore is distributed among old partners.</td><td>1</td></tr>
<tr><td>3</td><td>Not-for-Profit organizations are organised as charitable trusts, societies, clubs etc.
Or
No, it is an incorrect statement. Income and Expenditure Account is prepared on Accrual Basis of Accounting.</td><td>1</td></tr>
<tr><td>4</td><td><table><tr><th>Date</th><th>Particulars</th><th>L.F</th><th>Dr. Amount</th><th>Cr. Amount</th></tr><tr><td>2018
March 31</td><td>A’s Current A/c Dr
To Interest on Drawings A/c
(IOD charged)</td><td></td><td>1,500</td><td>

1,500</td></tr></table></td><td>1</td></tr>
<tr><td>5</td><td>Rate of Interest is 6% p.a</td><td>1</td></tr>
<tr><td>6</td><td><table><tr><th>Basis</th><th>Equity shares</th><th>Debentures</th></tr><tr><td>Risk involved</td><td>Shareholders are at a greater risk. They can even lose the amount invested in shares.</td><td>Debentures are relatively safe and secured. Debentures are almost risk free.</td></tr></table>
Or
Employee Stock Option Plan means option granted by the company to its employees and employee directors to subscribe the shares of the company at a price that is lower than the market price but it is not an obligation on the employee to subscribe for it.</td><td>1</td></tr>
</table>

7

Goodwill = Super Profits * 4 year's purchase
1,32,000 = Super Profits * 4
Super Profits = 1,32,000/4 = ` 33,000
Normal Profits = Capital Employed* NRR
= 5,00,000 * 10/100 = ` 50,000
Super Profits = Average Profits – Normal Profits
= ` 33,000 + ` 50,000 = ` 83,000

Marks: 3

8

Books of Dhariwal Ltd.
Journal

Date	Particulars	L.F	Dr. Amount	Cr. Amount
2014 Mar 31	Surplus in Statement of Profit and Loss A/c Dr To Debenture Redemption Reserve A/c (Transfer of profits to DRR)		6,90,000	6,90,000
Apr 30	Debenture Redemption Investment A/c Dr To Bank A/c (Investment made @15% of the face value of debentures to be redeemed)		3,00,000	3,00,000
2015 Mar 31	Bank A/c Dr To Debenture Redemption Investment A/c (Investment encashed)		3,00,000	3,00,000
Mar 31	11% Debenture A/c Dr To Debenture holders A/c		20,00,000	20,00,000
Mar 31	Debentureholders A/c Dr To Bank a/c		20,00,000	20,00,000
Mar 31	Debenture Redemption Reserve A/c Dr To General Reserve a/c (50% DRR transferred to General Reserve)		5,00,000	5,00,000

Marks: 3

9

Books of Venus Ltd.
Journal

Date	Particulars	L.F	Dr. Amount	Cr. Amount
(i)	Sundry Assets A/c Dr To Liabilities A/c To Cayns Ltd. To Capital Reserve A/c (Business purchased from Cayns Ltd.)		10,00,000	 1,80,000 7,60,000 60,000
(ii)	Cayns Ltd. Dr Discount on Issue of Debenture A/c Dr To 9% Debentures A/c (`80,000; 9% Debentures of `100 each issued at a discount of 5%)		7,60,000 40,000	 8,00,000

Or

(i) Journal

Date	Particulars	L.F	Dr. Amount	Cr. Amount
	Bank Account Dr. To Bank Loan Account (Being loan obtained from State Bank of India @ 10 % p.a. interest, against collateral security		5,00,000	5,00,000

Marks: 3

	of 7,500 10 % debentures of ₹100 each)			

(ii) Journal

Date	Particulars	L.F	Dr. Amount	Cr. Amount
(a)	Bank Account Dr. To Bank Loan Account (Being loan obtained from State Bank of India @ 10 % p.a. interest, against collateral security of 7,500 10 % debentures of ₹100 each)		5,00,000	 5,00,000
(b)	Debenture Suspense Account Dr. To 10 %Debentures Account (Being 10 % Debentures issued as collateral security in favour of State Bank of India)		7,50,000	 7,50,000

10 (Marks: 3)

Income and Expenditure Account
Dr. for the year ending 31st March, 2018 Cr.

Expenditure	`	`	Income	`
To Salaries	2,40,000			
Less: O/s on 31/3/2017	20,000			
	2,20,000			
Add: O/s on 31/3/2018	25.000			
	2,45,000			
Add: Paid in adv on 31/3/17	16,000			
	2,61,000			
Less: Paid in Ad on 31/3/18	12,000	2,49,000		

11 (Marks: 4)

Gain or Profit on Revaluation (Net Effect) ` 30,000

Sacrifice of P 5/10-2/10 = 3/10
Gain of R 2/10-5/10 = -3/10
P's sacrificed share = 3/10 * 30,000 = `9,000
R's gained share = 3/10 * 30,000 = `9,000

Journal

Date	Particulars		Dr Amount	Cr Amount
2018 Apr 1	 R's Capital A/c Dr To P's Capital A/c (Being gain on revaluation adjusted)		 9,000	 9,000

12 (Marks: 4)

(i) B's share of Goodwill = ` 3,00,000 * 2/6 = ` 1,00,000. It will be debited to the Capital Accounts of A and C in the Gaining Ratio, i.e 3:1.
(ii) Number of days from March 31 to June 12 = 73
B's share of profit = 7,50,000 * 73/365 * 2/6 = ` 50,000.

Journal

Date	Particulars	L.F	Dr Amount	Cr Amount
(i)	A's Capital A/c Dr C's Capital A/c Dr To B's Capital A/c (B's share of goodwill adjusted into Capital A/cs of A and C in their Gaining Ratio 3:1)		75,000 25,000	 1,00,000

(ii)	Profit and Loss Suspense A/c Dr To B's Capital A/c (B's share of profit up to June 12, 2011)		50,000	50.000

13

Books of Entertainment Club
Income and Expenditure Account
Dr. For the year ending March 31, 2017 Cr.

Expenditure		`	Income		`
To Salaries		1,50,000	By Subscription Add: Advance on 31.3.16 Add: Arrears on 31.3.17	1,00,000 7,000 1,07,000 13,000	1,20,000
To Subscription for Periodicals		14,500	By Profit on sale of furniture		2,000
To Printing & Stationery Add :Opening St. Less :Closing St	13,000 2,000 15,000 (3,000)	12,000	By Sale of old periodicals		3,200
To Sports Expenses Less: Op. Bal. of Sports fund Less: Donation for Sports	50,000 (15,000) 35,000 (25,000)	10,000	By Hire of ground for marriage		48,750
To Deprecistion on Furniture		11,500	By Locker Rent Less: Opening o/s Add: Closing o/s	17,050 (3,050) 14,000 1,500	15,500
To Surplus		31,450	By Sale of Foodstuffs Less : Purchase of Foodstuffs	1,00,000 60,000	40,000
		2,29,450			2,29,450

6

14

Dr. Realisation Account Cr.

Particulars	`	Particulars	`
To Sundry Assets Debtors 55,000 Stock 78,000 Investments 89,000 Buildings 2,50,000	4,72,000	By Sundry Liabilities : Provision for Doubtful Debts 2,000 Creditors 80,000 Bank Overdraft 50,000 Girija's Brother's Loan 77,000	2,09,000
To Girija's Capital A/c (Brother's Loan)	77,000	By Investment Fluctuation Reserve	15,000
To Bank A/c :		By Bank A/c:	

6

Creditors 3,000 Bank Overdraft 50,000	53,000	Debtors 49,000 Buildings 1,72,000 Investments 80,000	3,01,000
To Ganesh's Capital A/c Realisation Expenses	17,000	By Ganesh's Capital A/c (Stock)	4,000
		By Partners' Capital A/c Loss Girija 36,000 Ganesh 54,000	90,000
	6,19,000		6,19,000

Dr. Partners' Capital Account Cr.

Particulars	Girija	Ganesh	Particulars	Girija	Ganesh
To P & L A/c	4,000	6,000	By Bal. b/d	1,50,000	1,00,000
To Realisation A/c (Stock)		4,000	By Realisation A/c (Brother's Loan)	77,000	
To Realisation A/c (Loss)	36,000	54,000	By Realisation A/c (Exp.)		17,000
To Bank A/c	1,87,000	53,000			
.	2,27,000	1,17,000		2,27,000	1,17,000

Dr. Bank A/c Cr.

Particulars	`	Particulars	`
To Bal b/d	20,000	By Realisation A/c (Liabilities)	53,000
To Realisation A/c (Assets)	3,01,000	By Ganesh's Loan A/c	28,000
		By Girija's Capital A/c	1,87,000
		By Ganesh's Capital A/c	53,000
	3,21,000		3,21,000

15 Profit and Loss appropriation Account 6

for the year ended 31^{st} March, 2017

Dr. Cr.

Particulars		`	Particulars	`
To Interest on Capital A B C	 48,000 36,000 24,000	 1,08,000	By Profit and Loss A/c	3,12,000
To Salary B C	 48,000 24,000	 72,000		
To Net Profit transferred to A's Capital a/c B's Capital a/c Add: deficiency C's Capital A/c Less: Transferred to B	 44,000 2,000 22,000 (2,000)	 66,000 46,000 20,000		
		3,12,000		3,12,000

Or

Date	Particulars	L.F	Dr. Amount	Cr. Amount
	Anand's Current A/c Dr		5,640	

	To Bhuvan's Capital A/c To Charan's Capital A/c			4,860 780	

Calculation of Commission to Charan `

Net Profit	30,000
Less: Interest on Capital (1,500 + 1,000 + 500)	3,000
Profit after charging Interest on Capital	27,000

Charan's Commission = ` 27,000 * 5/100 = `1,350

16 Reliable Ltd. 8

Journal

Date	Particulars	L.F	Dr. Amount	Cr. Amount
	Bank A/c Dr To Share Application A/c		5,20,000	 5,20,000
	Share Application A/c Dr To Share Capital A/c To Securities Premium reserve a/c To Share Allotment A/c To Bank A/c		5,20,000	 2,00,000 2,00,000 80,000 40,000
	Share Allotment A/c Dr To Share Capital A/c		3,00,000	 3,00,000
	Bank A/c Dr Calls in arrear A/c Dr To Share Allotment a/c		2,17,800 2,200	 2,20,000
	Share First & Final Call A/c Dr To Share Capital a/c		5,00,000	 5,00,000
	Bank A/c Dr Calls in Arrear A/c Dr To Share First & Final Call A/c		4,95,000 5,000	 5,00,000
	Share Capital A/c Dr To Forfeited Shares A/c To Calls in Arrear A/c		10,000	 2,800 7,200
	Bank a/c Dr Forfeited Shares A/c Dr To Share Capital A/c		7,200 800	 8,000
	Forfeited shares A/c Dr To Capital reserve A/c		1,440	 1,440

Or

Journal of X Ltd.

Date	Particulars		L.F	Dr. Amount	Cr. Amount
	Bank a/c To Share Application A/c	Dr		5,60,000	 5,60,000
	Share Application A/c To Share Capital A/c To Share Allotment A/c To Bank a/c	Dr		5,60,000	 3,00,000 2,40,000 20,000
	Share Allotment A/c To Share Capital A/c	Dr		4,50,000	 4,50,000
	Bank A/c Calls in Arrear A/c To Share Allotment A/c	Dr Dr		1,92,000 18,000	 2,10,000
	Share First & Final Call A/c To Share Capital A/c	Dr		7,50,000	 7,50,000
	Bank A/c Calls in Arrear A/c To Share First & Final Call A/c	Dr Dr		6,95,000 55,000	 7,50,000
	Share Capital A/c To Share Forfeited A/c To Calls in arrear a/c	Dr Dr		60,000	 12,000 48,000
	Bank a/c Forfeited Shares A/c To Share Capital A/c	Dr Dr.		48,000 12,000	 60,000

Note: Entry of transfer to Capital Reserve is not made because there is no gain on reissue of forfeited shares.
(Relevant narration to be given)

17 Dr. Revaluation Accounts Cr. 8

Particulars	`	Particulars	`
To Building A/c	3,00,000	By Land A/c	3,60,000
To Furniture A/c	60,000		
	3,60,000		3,60,000

Dr. Partners' Capital account Cr.

Particulars	P	Q	R	Particulars	P	Q	R
To Q's Capital	2,10,000	-	30,000	By Bal b/d	9,00,000	8,40,000	9,00,000
To Q's Loan	-	12,32,000	-	By General reserve	2,52,000	72,000	36,000
To R's Current A/c	-	-	6,75,000	By WCR	2,80,000	80,000	40,000
To bal c/d	18,97,000	-	2,71,000	By P's Capital A/c	-	2,10,000	-
				By R's Capital A/c	-	30,000	-
				By P's Current A/c	6,75,000	-	-
	21,07,000	12,32,000	9,76,000		21,07,000	12,32,000	9,76,000

Balance Sheet of the New Firm As at 1st April, 2018

Liabilities	Amount	Assets	Amount
Creditors	3,60,000	Land	15,60,000

Workmen Compensation Reserve	1,40,000	Building	6,00,000
Q's Loan	12,32,000	Furniture	3,00,000
R's Current A/c	6,75,000	Stock	6,60,000
P's Capital A/c 18,97,000 R's Capital A/c 2,71,000	21,68,000	Debtors 6,00,000 Less: Provision for Doubtful Debt 30,000	5,70,000
		Cash at Bank	2,10,000
		P's Current a/c	6,75,000
	45,75,000		45,75,000

Or

Dr. Revaluation Accounts Cr.

Particulars	`	Particulars	`
To Plant & Machinery A/c	10,000	By Land & Building	25,000
To Gain on Revaluation A's Capital A/c 12,450 B's Capital A/c 4,150	16,600	By Provision for Doubtful Debts	400
		By Sundry Creditors	1,200
	26,600		26,600

Dr. Partners' Capital account Cr.

Particulars	A	B	C	Particulars	A	B	C
To Goodwill	30,000	10,000	-	By bal b/d	50,000	80,000	-
To B's Current a/c	-	43,150	-	By Revaluation A/c	12,450	4,150	-
To bal c/d	1,35,000	45,000	60,000	By WCR	30,000	10,000	-
				By General Reserve	7,500	2,500	-
				By C's Current A/c (Goodwill)	4,500	1,500	-
				By Cash A/c	-	-	60,000
				By A's Current A/c	60,550	-	-
	1,65,000	98,150	60,000		1,65,000	98,150	60,000

Balance Sheet of the New Firm As at 1st April, 2018

Liabilities	Amount	Assets	Amount
Sundry Creditors	68,800	Land & Building	65,000
B's Current a/c	43,150	Plant & Machinery	60,000
Capital A/cs: A 1,35,000 B 45,000 C 60,000	2,40,000	Investments	26,000
		Stock	30,000
		Debtors 35,000 Less : Provision for Bad Debts 600	34,400
		Cash	70,000
		A's Current A/c	60,550
		C's Current a/c	6,000

	3,51,950		3,51,950

PART B

ANALYSIS OF FINANCIAL STATEMENTS

Q.	Answer	Marks
18	Inflow of Cash ` 1,90,000.	1
19	Cash Flow from Investing Activity.	1

20 (4 marks)

No	Items	Main Head	Sub Head
(i)	License for Franchise	Non-Current assets	Fixed assets (Intangibles)
(ii)	Accrued Income	Current assets	Other Current Assets
(iii)	Stores and Spares	Current Assets	Inventories
(iv)	Mastheads for Publishing Title	Non-Current assets	Fixed assets (Intangibles)
(v)	Bank Overdraft	Current Liabilities	Short Term Borrowings
(vi)	Unpaid Dividend	Other Current Liabilities	Other Current Liabilities

21 Working Capital = 2.5-1=1.5 4
Current assets = 2.5/1.5 * ` 1,20,000 = ` 2,00,000
Current Liabilities = ` 2,00,000 - ` 1,20,000 = ` 80,000

Quick ratio = Quick assets / Current Liabilities
1.5/1 = Quick Assets/ `80,000
Quick Assets = 1.5 *`80,000 = ` 1,20,000

Closing Inventory = Current Assets – Quick Assets
= ` 2,00,000 - ` 1,20,000 = ` 80,000
Inventory Turnover Ratio = Cost of Revenue from Operations / Average Inventory
3 = ` 3,00,000 / Average Inventory
Average Inventory = ` 1,00,000
Opening Inventory = x

So, Average Inventory = x + ` 80,000 / 2 = ` 1,00,000
x + ` 80,000 = ` 2,00,000
x = ` 1,20,000
Opening Inventory = ` 1,20,000

Or

Gross Profit Ratio = Gross Profit / Net Sales * 100
= ` 10,00,000 / ` 30,00,000 * 100 = 33 1/3 %
Gross Profit = Revenue from Operations – Cost of Revenue from Operations
= ` 30,00,000 - ` 20,00,000 = ` 10,00,000

Working Capital Turnover Ratio = Revenue from Operations / Working Capital
= ` 30,00,000 / ` 4,00,000
= 7.5 times

Working Capital = Current Assets – Current Liabilities
= ` 6,00,000 - ` 2,00,000
= ` 4,00,000

22 | 4

HMSC Ltd.
Comparative Balance Sheet as at 31st March, 2017 and 2018

Particulars		31/03/2017	31/03/2018	Absolute Change	Percentage Change
I. Equity and Liabilities					
1. Shareholders' Fund		24,00,000	44,40,000	20,40,000	85
2. Non-Current Assets		12,00,000	12,00,000	-	-
3. Current Assets		4,00,000	3,60,000	(40,000)	(10)
Total		40,00,000	60,00,000	20,00,000	50
II. Assets					
1. Non-Current Assets		28,00,000	50,40,000	22,40,000	80
2. Current Assets		12,00,000	9,60,000	(2,40,000)	(20)
Total		40,00,000	60,00,000	20,00,000	50

Or

Year Ended	Shareholders' Fund	Non-Current Liabilities	Current Liabilities	Non-Current Assets	Current Assets
31/03/2017(%)	60	30	10	70	30
31/03/2018(%)	60	20	20	70	30

23 | 6

Net Profit before tax ` 36,000
Net Cash Flow From Operating Activities ` 28,000
Net Cash Used in Investing Activities ` 32,000
Net Cash Flow From Financing Activities ` 5,000
Net Increase in Cash & Cash Equivalents ` 1,000

SET II

1 | 1

Date	Particulars	L.F	Dr. Amount	Cr. Amount
	Realisation A/c Dr To Cash/ bank A/c (Sundry Creditors paid off)		19,000	19,000

4 | 1

IOD of R = `3,600

10 | 3

Income and Expenditure Account
Dr for the year ending on March 31, 2018 Cr

Expenditure	`	Income		`
		By Subscription	8,20,000	
		Less: Received out of subs. o/s on 31/3/17 (38,000- 10,000)	(28,000)	
			7,92,000	
		Add: O/s for 2017-18 (50,000 – 10,000)	40,000	
			8,32,000	

		Add: Received in advance on March 31, 2017	20,000 8,52,000	
		Less : Received in Advance on March 31, 2018	(15,000)	8,37,000

Q.	Answer	Marks
18	Cash Inflow from Operating Activities ` 6,00,000.	1
19	No, accountant is wrong because proposed dividend is a contingent liability.	1
20	(see table below)	4

	Items	Main Head	Sub Head
(i)	Calls in Arrear	Shareholders' Fund	Deducted from subscribed but not fully paid up capital
(ii)	Calls in Advance	Current Liabilities	Other Current Liabilities
(iii)	Computer Software	Non-Current Assets	Fixed Assets- tangibles
(iv)	Investment in Property	Non-Current assets	Non-Current Investments
(v)	Advance Tax	Current Assets	Other Current assets
(vi)	Mining Rights	Non-Current assets	Fixed assets- Intangibles

SET III

1 (Marks: 1)

Date	Particulars	L.F	Dr. Amount	Cr. Amount
	Realisation A/c Dr To Monika's Capital To Bank A/c (Remuneration allowed and expenses paid)		20,000	 15,000 5,000

Q.	Answer	Marks
4	IOD = `250	1

10 (Marks: 3)

Dr. Subscription Account Cr

Particulars	`	Particulars	`
To O/S Subscription (31.03.2017)	36,000	By Advance Subscription (31.03.2017)	20,000
To Inc. & Expd. A/c	80,000	By Bank A/c	1,02,000
To Advance Subscription (Bal Fig)(31.03.2018)	24,000	By O/S Subscription (31.03.2018)	18,000
	1,40,000		**1,40,000**

Q.	Answer	Marks
18	It will be shown under Cash Inflow from Operating Activities. The reason being that a Mutual Fund Company is a Finance Company and it has been received from its primary revenue generating activities.	1

<table>
<tr><td>19</td><td>It will be taken as purchase of patents of `50,000 and will be shown under Cash Flow from Investing Activities as an outflow of cash.</td><td>1</td></tr>
<tr><td>20</td><td>
<table>
<tr><td></td><td>Items</td><td>Main Head</td><td>Sub Head</td></tr>
<tr><td>(i)</td><td>Accrued Income</td><td>Current assets</td><td>Other Current Assets</td></tr>
<tr><td>(ii)</td><td>Stores and Spares</td><td>Current Assets</td><td>Inventories</td></tr>
<tr><td>(iii)</td><td>Bank Overdraft</td><td>Current Liabilities</td><td>Short Term Borrowings</td></tr>
<tr><td>(iv)</td><td>Unpaid Dividend</td><td>Other Current Liabilities</td><td>Other Current Liabilities</td></tr>
<tr><td>(v)</td><td>Building under Construction</td><td>Non-Current Assets</td><td>Fixed assets- Capital WIP</td></tr>
<tr><td>(vi)</td><td>Debentures</td><td>Non-Current Liabilities</td><td>Long Term Borrowings</td></tr>
</table>
</td><td>4</td></tr>
</table>