| Roll Number |  |  |
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# INDIAN SCHOOL MUSCAT SECOND PRELIMINARY EXAMINATION 

## SET - III

## ACCOUNTANCY

CLASS: XII
Sub. Code: 055

Time Allotted: 3 Hrs.
Max. Marks: 80

## General Instructions:

1. All questions are compulsory.
2. Please write question number before attempting a question.
3. Attempt all parts of a question at one place.
4. Use of calculators or any other calculating device not allowed.
5. Show clearly working notes wherever necessary.

PART A
Accounting for Not-for-Profit Organisations, Partnership Firms and Companies.
1 Monika, a partner, is paid remuneration of `15,000 for dissolution work. Realisation expenses amounted to` 5,000 were paid by the firm. Pass Journal Entry.

2 How are Not-For-Profit organizations organized?

## Or

Income and Expenditure Account is prepared on Cash Basis of Accounting. Is the statement correct?

3 Under what circumstances premium for goodwill paid by the incoming partner is not recorded in the books of accounts.

Or
Why is General Reserve distributed among the old partners before new partner is admitted?
4 A and B are partners sharing profits equally. A drew regularly ` 4,000 at the end of every month for six months ended $30^{\text {th }}$ September, 2018. Calculate interest on drawings @5\% p.a. for a period of six months.

5 At what rate is interest payable on the amount remaining unpaid to the executor of deceased partner?

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

7 On April 1, 2018 an existing firm had assets of `5,00,000 including cash of` 25,000. The partner's capital accounts showed a balance of ` \(3,50,000\) and reserve constituted the rest. If the normal rate of return is \(10 \%\) and the goodwill of the firm is valued at \({ }^{`} 1,32,000\) at 4 year's purchase of super profits, find the average profits of the firm.

8 Dhariwal Ltd. had issued 40,000, 11\% Debentures of `100 each of which one-half are due for redemption on March 31st 2015. It was decided to invest the required amount towards Debenture Redemption Investment. The company has in its Debenture Redemption Reserve Account balance of` $3,10,000$. Record the necessary journal entries at the time of Redemption of Debentures.

9 Venus Ltd took over assets of `10,00,000 and liabilities of` 1,80,000 of Cayns Ltd. for ${ }^{`} 7,60,000$. Venus Ltd. issued 9\% Debentures of ` 100 each at a discount of $5 \%$ in full satisfaction of the purchase consideration in favour of Cayns Ltd.
Pass necessary journal entries in the books of Venus Ltd. for the above transactions.

> Or

Haider Limited obtained a loan of ₹ 5,00,000 from State Bank of India @ 10 \% interest. The company issued ₹ $7,50,000,10 \%$ debentures of ₹ $100 /$ - each, in favor 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 $10 \%$ Debentures as collateral security.
(ii). When company decided to record the issue of $10 \%$ Debentures as collateral security.

10 From the following information, compute Advance Subscription for the year ended 31 ${ }^{\text {st }}$ March, 2018:

|  |  | (`) \\ \hline (i) & A club has 80 members each paying annual subscription of & 1,000 \\ \hline (ii) & Subscription received during the year & \(1,02,000\) \\ \hline (iii) & Subscription received in advance as at 31 & st March, 2017 \\ \hline (iv) & Subscription outstanding as at 31 \(1^{\text {st }}\) March, 2018 & 18,000 \\ \hline (v) & Subscription outstanding as at 31 \({ }^{\text {st }}\) March, 2017 & 36,000 \\ \hline (vi) & \begin{tabular}{l}  Subscription of `14,000 is still in arrears for the year ended 31 |
| :---: | :--- | ---: |
|  |  |  |
|  |  |  |
| March, 2017 |  |  | \& <br>

\hline
\end{tabular}

11 P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decided to share future profits and losses in the ratio of 2:3:5 with effect from $1^{\text {st }}$ April, 2018. They also decide to record the effect of the following revaluations without affecting the book value of the assets and liabilities by passing a single adjustment entry.

|  | Book Value (`) & Revised Value (`) |  |
| :--- | ---: | ---: |
| Land and Building | $5,00,000$ | $5,50,000$ |
| Plant and Machinery | $2,50,000$ | $2,40,000$ |
| Sundry Creditors | 60,000 | 55,000 |
| Outstanding Expenses | 60,000 | 75,000 |

Pass necessary single adjustment entry.
$12 \mathrm{~A}, \mathrm{~B}$ and C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on $31^{\text {st }}$ March every year. B died on $12^{\text {th }}$ June, 2011. On B's death the goodwill of the firm was valued at `\(3,00,000\). On B's death his share in the profits of the firm till the time of his death was to be calculated on the basis of previous year's profit which was`7,50,000. Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profit at the time of his death.

13 Following is the Receipts and Payments Account of an Entertainment Club for the period of April 1, 2016 to March 31, 2017.

| Receipts |  | Payments |  |
| :---: | :---: | :---: | :---: |
| To Balance b/d Cash at Bank | 87,500 | By Salaries | 1,50,000 |
| To Subscriptions :  <br> $2015-16$ 12,500 <br> $2016-17$ $1,00,000$ <br> $2017-18$ 10,000 | 1,22,500 | By Foodstuffs for Restaurant | 60,000 |
| To Sale of Furniture (Book Value ` 8,000) | 10,000 | By Subscription for Periodicals | 14,500 |
| To Sale of Foodstuffs | 1,00,000 | By Printing and Stationery | 13,000 |
| To Sale of Old Periodicals and Newspapers | 3,200 | By Sports Expenses | 50,000 |
| To Hire of Ground used for Marriage | 48,750 | By 8\% Investments (31.3.2017) | 1,00,000 |
| To Donation for Sports Fund | 25,000 | By Balance c/d Cash at Bank | 26,500 |
| To Locker Rent | 17,050 |  |  |
|  | 4,14,000 |  | 4,14,000 |

Additional Information:
(i) Advance Subscription on 31st March, 2016 : ` 7,000

Subscription in arrear on 31st March, 2017 : `13,000 (ii) Locker Rent` 3,050 was outstanding for the year 2015-16 and `1,500 for 2016-17. (iii) Opening Stock of Printing and Stationery` 2,000 and Closing Stock of Printing and Stationery is ` 3,000 for the year 2016-17.
(iv) On $1^{\text {st }}$ april, 2016 other balances were as under :

Furniture ` 1,00,000
Sports Fund - 15,000
(v) Depreciate Furniture @ 12.5\% p.a.

Prepare Income and Expenditure Account for the year ending 31st March, 2017.

14 Girija and Ganesh were partners in a firm sharing profits and losses in the ratio of 2:3. On 31 ${ }^{\text {st }}$ March, 2017 their Balance Sheet was as follows:

| Liabilities | Amount | Assets | Amount |
| :--- | ---: | :--- | ---: | ---: |
| Creditors | 80,000 | Cash at Bank | 20,000 |
| Bank Overdraft | 50,000 | Debtors <br> Less: Provision for Doubtful <br> 2,000 | 53,000 |
| Girija's Brother's Loan | 77,000 | Stock | 78,000 |
| Ganesh's loan | 28,000 | Investments | 89,000 |
| Investment Fluctuation Fund | 15,000 | Buildings | $2,50,000$ |
| Capitals: Girija 1,50,000 |  | Profit and Loss A/c | 10,000 |


| Ganesh $1,00,000$ | $2,50,000$ |  |  |
| ---: | ---: | ---: | ---: |
|  | $\underline{5,00,000}$ |  | $\underline{5,00,000}$ |

On the above date the firm was dissolved. The assets were realized and the liabilities were paid off as follows:
(a) Debtors of ` 6,000 were proved bad. (b) Girija agreed to pay off her brother's loan. (c) One of the creditors for \({ }^{`} 10,000\) was paid only ${ }^{`} 3,000$ in full settlement of his account.
(d) Buildings were auctioned for ${ }^{`} 1,80,000$ and the auctioneer's commission amounted to - 8,000.
(e) Ganesh took over part of stock at `4,000 (being 20\% less than the book value). Balance of the stock was handed over to the remaining creditors in full settlement of their account. (f) Investments realized` 9,000 less.
(g) Realisation expenses amounted to ` 17,000 and were paid by Ganesh.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account.
15 A, B and C are partners in a firm. Their Capital Accounts stood at `8,00,000; 6,00,000 and ` $4,00,000$ respectively on $1^{\text {st }}$ April, 2016. They shared profits and losses in the ratio of 3:2:1 respectively. Partners are entitled to interest on capital @ $6 \%$ per annum and salary to B and C @ `4,000 per month and ` 6,000 per quarter respectively as per the provisions of the Partnership Deed.
B's share of profit including interest on capital but excluding salary is guaranteed at a minimum of `82,000 p.a. Any deficiency arising on that account shall be met by C. Profit for the year ended \(31^{\text {st }}\) March, 2017 amounted to` $3,12,000$. Prepare Profit and Loss Appropriation Account for the year ended 31 ${ }^{\text {st }}$ March, 2017.

## Or

Anand, Bhuvan and Charan were partners. Their capitals were Anand -`30,000; Bhuvan\({ }^{`} 20,000\) and Charan- ${ }^{`} 10,000$ respectively. According to the Partnership Deed, they are entitled to an interest on capital at $5 \%$ p.a. In addition, Bhuvan was entitled to draw a salary of `500 per month. Charan was entitled to a commission of \(5 \%\) on the profits after charging interest on capital, but before charging salary payable to Bhuvan. Net profit for the year` 30,000 was distributed in the ratio of capitals without above appropriations. The profit was to be shared in the ratio 2:2:1.
Pass necessary adjustment entry showing the workings clearly.
16 Reliable Ltd. was registered with an authorised capital of `20,00,000 in` 10 per equity
share. It invited applications for issuing 1,00,000 equity shares at a premium of `2 per share. The amount was payable as follows: On Application` 4 per share (including premium)
On Allotment ` 3 per share Balance on First and Final Call. Applications were received for \(1,30,000\) shares. Applications for 10,000 shares were rejected and the application money received on them refunded. Pro-rata allotment was made to the remaining applications. Amount overpaid on these applications was adjusted towards the amount due on allotment. Sameer, who has applied for 1,200 shares, failed to pay the allotment and call money. The company forfeited his shares, out of which 800 shares were reissued to Sanjay at \({ }^{`} 9\) per share fully paid up.

You are required to pass the journal entries in the books of the company through Calls in Arrear Account.

Or
X Ltd. invited applications for issuing 1,50,000 shares of `10 each payable as` 2 per share on application, ` 3 per share on allotment and the balance on First and Final Call. Applications for 2,80,000 shares were received on which directors allotted the shares as follows:
Applications for 70,000 shares ---------- Full
Applications for 2,00,000 shares ------- 80,000
Applications for 10,000 shares ---------- Nil

- 1,92,000 was realized on account of allotment money (excluding the amount carried from Application Money) and `\(6,95,000\) on account of call. The directors decided to forfeit shares of only those applicants to whom full allotment was made on which allotment money was overdue. The forfeited shares were reissued to Manu for` 8 per share as fully paid.
Pass Journal Entries in the company's books.
$17 \mathrm{P}, \mathrm{Q}$ and R were partners in a firm sharing profits in the ratio of 7:2:1. On $1^{\text {st }}$ April, 2018 their Balance Sheet was as follows:

Balance Sheet of P, Q and R as on $1^{\text {st }}$ April, 2018


On the above date Q retired. Following was agreed upon
(i) Goodwill of the firm was valued at ${ }^{`} 12,00,000$.
(ii) Land was to be appreciated by $30 \%$ and Building to be depreciated by `\(3,00,000\). (iii) Value of furniture was to be reduced by` 60,000 .
(iv) Liability of Workmen's Compensation was determined at` 1,40,000.
(v) Amount payable to Q was transferred to his Loan Account. His loan should be paid after two years with interest due @ $12 \%$ p.a.
(vi) Capitals of P and R were to be adjusted in their new profit sharing ratio and for this purpose Current Accounts of the partners will be opened.
Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

## Or

A and B were partners in a firm sharing profits in the ratio of $3: 1$. They admitted $C$, an
old employee as a partner for $1 / 4^{\text {th }}$ share in profits. C was to bring ` 60,000 for his capital but was not in a position to bring amount of goodwill. Balance Sheet of A and B on $1^{\text {st }}$ April, 2018, the date on which C was admitted, was as follows.

| Liabilities | Amount | Assets | Amount |
| :--- | ---: | :--- | ---: |
| Sundry Creditors | 70,000 | Land and Building | 40,000 |
| Workmen Compensation <br> Reserve | 40,000 | Goodwill | 40,000 |
| General Reserve | 10,000 | Plant and Machinery | 70,000 |
| Capital A/cs : <br> A <br> B |  | Stock | 30,000 |
|  | $1,30,000$ |  | Debtors 35,000 <br> Less: Provision for Doubtful <br> 1,000 |
|  |  | Debts |  |
|  |  | Investments | 34,000 |
|  | Cash | 26,000 |  |

Other terms agreed upon were :
(i) Goodwill of the firm was valued at ${ }^{`} 24,000$.
(ii) Land and Building was valued at `65,000 and Plant and Machinery at` 60,000 .
(iii) Provision for doubtful debts was found in excess by `400. (iv) A liability of` 1,200 included in sundry creditors was not likely to arise.
(v) Capitals of the partners are to be adjusted on the basis of C's contribution of capital to the firm.
(vi) Excess or shortfall, if any, to be transferred to Partners' Current Accounts.

Prepare Revaluation Account, Partners' Capital accounts and the Balance sheet of the new firm.

## PART B <br> Analysis of Financial Statements

18 A Mutual Fund Company receives a dividend of ` 20 lakhs on its investments in another company's shares. Where will it appear in a Cash Flow Statement? Give reason.

19 The patents of X Ltd. increased from `3,00,000 in 2013-14 to `3,50,000 in 2014-15. What will be its treatment while preparing Cash Flow Statement for the year ended $31^{\text {st }}$ March, 2015?

20 How are the following items shown in the Balance Sheet of a company?
(i) Accrued Income
(ii) Stores and Spares
(iii) Bank Overdraft
(iv) Unpaid Dividend
(v) Building under Construction
(vi) Debentures

21 Current Ratio 2.5; Quick Ratio 1.5; Working Capital ` 1,20,000; Gross Profit @ $25 \%$ on Opening Inventory, Current Liabilities, Current Assets and Quick Assets.

Or
From the following, calculate Gross Profit Ratio and Working Capital Turnover Ratio.

| Particulars |  |
| :--- | ---: |
| Revenue from Operations | $30,00,000$ |
| Cost of Revenue from Operations | $20,00,000$ |
| Current Assets | $6,00,000$ |
| Current Liabilities | $2,00,000$ |
| Paid-up Share Capital | $5,00,000$ |

22 From the following information, prepare Comparative Balance Sheet of HMSC Ltd.

| Particulars | $31^{\text {st }}$ March, 2018 ( `) & \(31^{\text {st }}\) March, 2017 ( `) |  |
| :--- | ---: | ---: |
| Shareholders' Funds | $44,40,000$ | $24,00,000$ |
| Non-Current Liabilities | $12,00,000$ | $12,00,000$ |
| Current Liabilities | $3,60,000$ | $4,00,000$ |
| Non-Current Assets | $50,40,000$ | $28,00,000$ |
| Current Assets | $9,60,000$ | $12,00,000$ |
|  |  |  |

Prepare Common-Size Balance Sheet from the following information:

| Particulars | $31^{\text {st }}$ March, 2018 ( `) & 31st March, 2017 ( `) |  |
| :--- | ---: | ---: |
| Shareholders' Funds | $18,00,000$ | $12,00,000$ |
| Non-Current Liabilities | $6,00,000$ | $6,00,000$ |
| Current Liabilities | $6,00,000$ | $2,00,000$ |
| Non-Current Assets | $21,00,000$ | $14,00,000$ |
| Current Assets | $9,00,000$ | $6,00,000$ |

23 Prepare a Cash Flow Statement on the basis of the information given in the Balance Sheet of ABC Ltd. as at 31.03.2016 \& 2015.

| Particulars | 31.03.2016 | 31.03.2015 |
| :---: | :---: | :---: |
| I. Equity and Liabilities |  |  |
| 1. Shareholders' Funds <br> (a) Share Capital <br> (b) Reserves and Surplus | $\begin{array}{r} 70,000 \\ 44,000 \end{array}$ | $\begin{array}{r} 60,000 \\ 8,000 \\ \hline \end{array}$ |
| 2. Non-Current Liabilities <br> (a) Long-Term Borrowings | 50,000 | 50,000 |
| 3. Current liabilities <br> (a) Trade Payables | 25,000 | 9,000 |
| Total | 1,89,000 | 1,27,000 |
| II. Assets |  |  |
| 1. Non-Current Assets <br> (a) Fixed assets <br> (i) Tangible Assets <br> (b) Non-Current Investments | $\begin{aligned} & 98,000 \\ & 16,000 \\ & \hline \end{aligned}$ | $\begin{array}{r} 84,000 \\ 6,000 \\ \hline \end{array}$ |
| 2. Current Assets <br> (a) Current Investments <br> (b) Inventories <br> (c) Cash and Bank Balance | $\begin{array}{r} 18,000 \\ 49,000 \\ 8,000 \\ \hline \end{array}$ | $\begin{array}{r} 20,000 \\ 12,000 \\ 5,000 \end{array}$ |


| Total |  | $\mathbf{1 , 8 9 , 0 0 0}$ |
| :--- | ---: | ---: |
| $\mathbf{1 , 2 7 , 0 0 0}$ |  |  |
| Notes to Accounts | 31.03 .2016 | 31.03 .2015 |
| 1. Reserves and Surplus | 30,000 | 20,000 |
| General Reserve | 14,000 | $(12,000)$ |
| Surplus i.e Balance in Statement of Profit and Loss | $\underline{\mathbf{4 4 , 0 0 0}}$ | $\underline{\mathbf{8 , 0 0 0}}$ |

Additional Information:
(i) Depreciation provided on tangible assets (Machinery) during the year `8,000. (ii) Interest paid on debentures` 5,000 .

## End of the Question Paper

