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SET B



INDIAN SCHOOL MUSCAT FINAL TERM EXAMINATION

ACCOUNTANCY

CLASS: XII
11.11.2018

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 PARTNERSHIP FIRMS, NOT-FOR PROFIT ORGANISATIONS AND COMPANIES

- | | | |
|---|---|---|
| 1 | How is dissolution of partnership different from dissolution of partnership firm? | 1 |
| 2 | Mohan and Shyam are equal partners in a firm. State with reason whether the claim is valid if the partnership agreement is silent and Mohan is an active partner. He wants a salary of ₹10,000 per year. | 1 |

OR

One of the partners in a partnership firm has withdrawn ₹9,000 at the end of each quarter, throughout the year. Calculate the interest on drawings at the rate of 6% per annum.

- | | | |
|---|--|---|
| 3 | A and B are partners sharing profits and losses in the ratio of 3:2. Their capital accounts showed balances of ₹1,50,000 and ₹2,00,000 respectively on April 01, 2017. Show the treatment of interest on capital for the year ending March 31, 2018, if partnership deed provides for interest on capital @8% p.a. and the firm incurred a loss of ₹10,000 during the year. | 1 |
|---|--|---|

OR

State two situations in which interest on partners' capital is provided.

- | | | |
|---|--|---|
| 4 | What do you understand by the terms legacy and honorarium? | 1 |
|---|--|---|

5 How much Debenture Redemption Reserve is required in case of fully convertible debentures as per the provision of section 71 (4) of the Companies Act, 2013 read with Rule 18(7) of the Companies (Share Capital and Debentures) Rules 2014. 1

6 Define Debentures. 1

OR

What is the nature of interest on debenture?

7 Calculate the amount of medicines consumed during the year 2013-2014 and show how it appears in income expenditure account. 3

Particulars	1-4-2013	31-3-2014
Stock of Medicines	3,00,000	5,00,000
Advance to suppliers	20,000	30,000
Creditors for Medicines	2,10,000	3,05,000
Amount Paid for Medicines 23,00,000.		

8 XYZ Ltd. was registered with an authorized capital of ₹5,00,000 divided into 50,000 equity shares of ₹ 10 each. Since the economy was in robust shape, the company decided to offer to the public for subscription 30,000 equity shares of ₹ 10 each at a premium of ₹ 20 per share. Applications for 28,000 shares were received and allotment was made to all the applicants. All calls were made and duly received except the final call of ₹ 2 per share on 200 shares. Show the 'Share Capital' in the Balance Sheet of the company as per the Companies Act 2013. Also prepare Notes to Accounts for the same. 3

9 Sunshine Ltd. purchased machinery costing ₹10,00,000 from Moonlight Ltd. The company paid the price by issue of equity shares of ₹10 each at a premium of 25%. Pass necessary journal entries for the above transactions in the books of Sunshine Ltd. 3

OR

What do you mean by Debenture Issued as Collateral Security? Explain with an example.

10 Give journal entries for the Issue of Debentures in the following conditions:- 3

- Issued 2,000, 12% debentures of ₹ 100 each at a discount of 2%, redeemable at a premium of 5%.
- Issued 2,000, 12% debentures of ₹ 100 each at a premium of 5%, redeemable at a premium of 10%

11 Capital employed in a business is ₹2,00,000. The normal rate of return on capital employed is 15%. During the year 2018 the firm earned a profit of ₹48,000. Calculate goodwill on the basis of 3 years purchase of super profit? 4

12 Nair, Seerat and Hina were partners in firm manufacturing blankets. They were sharing profits in the ratio 5:3:2. Their capitals on 1st April 2017 were ₹ 2,00,000; ₹3,00,000 and ₹ 6,00,000 respectively. After the 4

floods in Kerala, all partners decided to help the flood victims personally.

For this Nair withdrew ₹10,000 from the firm on 1st September 2017. Seerat, instead of withdrawing cash from the firm took blankets amounting to ₹ 12,000 from the firm and distributed to the flood victims. On the other hand, Hina withdrew ₹ 2,00,000 from her capital on 1st January, 2018 and set-up a centre to provide medical facilities in the flood affected area.

The partnership deed provides for charging interest on drawings @ 6% p.a. After the final accounts were prepared, it was discovered that interest on drawings had not been charged.

Give the necessary adjusting journal entry and show the working notes clearly. Also state any two values that the partners wanted to communicate to the society.

- 13 R, S and H were partners in a firm sharing profits in the ratio 7:2:1 respectively. Their fixed capitals were 6
R- ₹ 3,00,000; S ₹ 2,00,000 and H ₹ 1,00,000. The partnership deed provided for the following for the division of profit.

i. 10% of the trading profits will be transferred to reserve account.

ii. H was guaranteed a profit of ₹ 50,000. Any loss because of guarantee to H will be shared by R and S equally.

The trading profit of the firm for the year ended 31st March 2017 was ₹ 2,00,000.

Prepare Profit and Loss Appropriation account and Current account for the partners for the year ended 31st March 2017.

- 14 On April 1, 2013, XY Limited issued ₹ 9,00,000 10% debentures at a discount of 9%. The debentures 6
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.

- 15 From the following Receipts and Payment Accounts and information given below, prepare Income and 6
Expenditure Account and Opening and Closing Balance Sheet of Adult Literacy Organisation.

Adult Literacy Organisation
Receipt and Payment Account as on December 31, 2016.

Receipt	Amount	Payment	Amount
To Balance b/d		By General Expenses	3,200
Cash in hand	4,000	By Newspapers	1850
Cash at bank	15,550	By Electricity	3,000
To Subscription		By Fixed Deposit with bank (on 31.06.2016) @ 10%p.a.	18,000
2015 1,200		By Books	7,000
2016 26,500		By Salary	3,600
2017 500	28,200	By Rent	6,500
To Sale of old newspapers	1,250	By Postage charges	300
To Govt. grant	12,000	By Furniture (purchased)	10,500
To Sale of old furniture (Book value 5,000)	3,700	By Balance c/d	

To interest received on FD	450	Cash in hand	3,000
		Cash at bank	8,200
	65,150		65,150
Adjustments			
(a)	Subscription outstanding as at 31-12-2015, 2,000 and on 31-12-2016, 1,500		
(b)	On December 31, 2016 Salary outstanding 600, and one month Rent paid in advance.		
(c)	On January 1, 2015 organisation owned Furniture 12,000 and Books 5,000.		

OR

From the following Receipts and Payments Account of Community Club and additional information, prepare an Income and Expenditure Account for the year ending 31st March, 2018 and Balance Sheet as on that date.

Dr. Receipts and Payments Account for the year ended 31st March, 2018 Cr.

Receipts	₹	Payments	₹
To Balance b/d		By Affiliation Fee to Pradesh Club	10,000
Cash in Hand 10,000			
Cash at Bank 40,000	50,000		
To Subscription		By Furniture (1 st October, 2017)	30,000
2016-17 5,000			
2017-18 1,50,000			
2018-19 10,000	1,65,000		
To Life Membership Fees	1,20,000	By Sports Expenses	25,000
To Sale of Scrap	2,000	By Sundry Expenses	1,52,000
To Interest on Sports Fund Investment	20,000	By Balance c/d	
		Cash in Hand 40,000	
		Cash at Bank 1,00,000	1,40,000
	3,57,000		3,57,000

Additional Information:

- (i) The Club has 1,600 members, each paying an annual subscription of Rs.100. Subscription of Rs.4,500 is still in arrears for 2017-18.
- (ii) On 1st April, 2017, the Club's assets and liabilities included Furniture Rs.20,000. Sports Fund and 10% Sports Fund Investment Rs.3,00,000 each.
- (iii) Provide depreciation on Furniture at 20% p.a.

- 16 Pompos Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share, ₹ 3 on application, ₹ 8 5(including premium on allotment) and balance in equal instalments over two calls. Applications received for 92,000 shares and the allotment was made as under;

- A) Applicants of 40,000 shares – Allotted 30,000 shares
- B) Applicants of 40,000 shares – Allotted 20,000 shares
- C) Applicants of 12,000 shares – Nil

Suresh who had applied for 2,000 shares (category A) did not pay any money other than application money

Chander who was allotted 800 shares (Category B) paid the call money due along with the allotment. All other allottees paid their dues as per schedule.

Pass Journal entries in the books of the Company.

OR

Melody Ltd. Invited applications for issuing 30,000 equity shares of ₹ 100 each at a premium of ₹ 20 each. The amount was payable as follows:

On application and allotment ₹ 40 (Including premium ₹ 10) per share

On First call ₹ 50 (Including premium ₹ 10) per share.

On Second and Final call – Balance

Applications for 75,000 shares were received. Applications for 15,000 shares were rejected and the money received from them was refunded. Shares were allotted on a pro-rata basis to the remaining applicants. All calls were made.

A who had applied for 2,000 shares failed to pay the first call and second and final call.

B who was allotted 1,000 shares failed to pay the second and final call.

The shares of both A and B were forfeited. The forfeited shares were reissued at ₹ 160 as fully paid.

Pass Journal entries in the books of the company.

- 17 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: 8

Balance Sheet
as at March 31, 2017

Liabilities	₹	Assets	₹
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 ₹ 5,000. F agreed to bear the dissolution expenses. Assets realized as follows:

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

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

(iii) Machinery was sold as scrap for ₹ 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.

OR

Prashant and Rajesh were partners in a firm sharing profits in the ratio of 3:2. In spite of repeated reminders by the authorities, they kept dumping hazardous material into a nearby river. The court ordered for the dissolution of their partnership firm on 31st March 2018. Prashant was deputed to realise the assets and to pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the

firm on 31st March 2018 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Creditors	80,000	Building	1,20,000
Mrs. Prashant's Loan	40,000	Investments	30,600
Rajesh's Loan	24,000	Debtors 34,000	
Investment Fluctuation Fund	8,000	Less : Provision 4,000	30,000
Capitals:		Bills Receivable	37,400
Prashant 42,000		Cash	6,000
Rajesh 42,000	84,000	Profit and Loss A/c	8,000
		Goodwill	4,000
	2,36,000		2,36,000

Following was agreed upon:

(i) Prashant agreed to pay off his wife's loan.

(ii) Debtors realized ₹24,000

(iii) Rajesh took away all investments at ₹27,000.

(iv) Building realized ₹1,52,000.

(v) Creditors were payable after 2 months. They were paid immediately at 10% discount.

(vi) Bills receivable were settled at a loss of ₹1,400.

(vii) Realisation expenses amounted to ₹2,500.

Pass necessary Ledger Accounts.

PART – B (Financial Statement Analysis)

- 18 How will you treat Bank overdraft in a Cash Flow Statement? 1
- 19 Mention the net amount of cash inflow or outflow of cash when a fixed assets having book value of ₹ 15,000 is sold at a loss of ₹ 5,000. 1
- 20 How will you show the following items in the Balance Sheet of the company? 4
 - 1) Stores and Spares
 - 2) Debenture due for redemption in the current year
 - 3) Capital Reserve
 - 4) Investment in preference shares
 - 5) Interest accrued but not due on borrowing
 - 6) Proposed dividend
 - 7) Goodwill
 - 8) Sundry Creditors

- 21 Calculate Operating Profit Ratio and Net Profit Ratio from the following.

4

Particulars	Amount (₹)
Revenue from operations	2,00,000
Gross Profit	75,000
Office expenses	15,000
Selling expenses	26,000
Interest on debentures	5,000
Loss by accident	12,000
Income from rent	2,500
Commission received	2,000

OR

For the year ended March 31, 2017, Net Profit after tax of K X Limited was ₹6,00,000. The company has ₹ 40,00,000 12% Debentures of ₹ 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 ₹ 5,00,000 and expects to maintain the same rate of Net Profit and assume that the Tax rate will not change?

- 22 Prepare Comparative Statement of Profit and Loss from the following.

4

Particulars	31-03-2017 (₹)	31-03-2016(₹)
Revenue from operations	12,50,000	10,00,000
Cost of materials consumed	7,20,000	6,00,000
Other expenses	38,000	40,000

Interest on Investments @₹50,000 each year.

OR

From the following Statement of Profit and Loss of Sakhi Ltd. For the year ended 31st March, 2018, prepare Comparative Statement of Profit and Loss.

Statement of Profit and Loss
For the years 2016-17 and 2017-18

Particulars	2016-17	2017-18
Revenue from Operations	25,00,000	40,00,000
Expenses		
<i>i</i> Employee Benefit Expenses were 5% of Revenue from Operations		
<i>ii</i> Other Expenses	5,90,000	6,80,000
Rate of Tax 35%		

23 Following are the Balance Sheets of Krishna Ltd as on 31st March 2016 and 2 017.

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Particulars	Note No	2016-17	2015-16
EQUITY AND LIABILITIES		₹	₹
1. Shareholder's Fund			
a) Share Capital		14,00,000	10,00,000
b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non- current Liabilities			
Long term borrowing		5,00,000	1,40,000
3. Current Liabilities			
Trade Payables		1,00,000	60,000
Short term provisions	2	80,000	60,000
TOTAL		25,80,000	16,60,000
ASSETS			
1. Non – current Assets			
a) Fixed Assets			
i) Tangible Assets	3	16,00,000	9,00,000
ii) Intangible Assets	4	1,40,000	2,00,000
2. Current Assets			
a) Inventories		2,50,000	2,00,000
b) Trade Receivables		5,00,000	3,00,000
c) Cash and Cash Equivalents		90,000	60,000
TOTAL		25,80,000	16,60,000

Notes to Accounts

Particulars	2016-17 (₹)	2015-16(₹)
1. Reserves and Surplus		
Surplus (Balance in Statement of Profit and Loss)	5,00,000	4,00,000
2. Short term provisions		
Provision for Tax	80,000	60,000
3. Tangible Assets		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
4. Intangible Assets		
Goodwill	1,40,000	2,00,000

Prepare Cash Flow Statement after taking into account the following adjustment:

Tax paid during the year amounted to ₹ 70,000.

END OF THE QUESTION PAPER