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SET C



**INDIAN SCHOOL MUSCAT
FINAL TERM EXAMINATION**

ACCOUNTANCY

CLASS: XII

Sub. Code: 055

Time Allotted: 3 Hrs

Max. Marks:80

11.11.2018

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 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
- 2 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.

- 3 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One of the partners in a partnership firm has withdrawn ₹9,000 at the end of each quarter, throughout the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.

- 4 How is dissolution of partnership different from dissolution of partnership firm? 1
- 5 What do you understand by the terms legacy and honorarium? 1
- 6 Define Debentures. 1

OR

What is the nature of interest on debenture?

- 7 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. 3
- 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.

- 8 You are provided with the following information of a club. 3
- | | |
|--|----------|
| Subscription received for the year ended 31 st March 2018. | 1,25,900 |
| Subscription outstanding as on 31 st March 2017. | 9,750 |
| Subscription received in advance as on 31 st March 2017. | 4,500 |
| Subscription outstanding as on 31 st March 2018 | 8,470 |
| Subscription received in advance as on 31 st March 2018. | 7,640 |
| Show how the above information would appear in the balance sheets as at 31 st March 2018 and the Income and Expenditure Account for the year ended 31 st March 2018. | |

- 9 Summer Ltd. had issued 40,000, 8% Debentures of ₹ 100 each. Redeemable on 31st March 2017. It was decided to invest 15% of the face value of debentures to be redeemed towards Debenture Redemption Investment on 30th April 2016. Investments were encashed and Debentures were redeemed on due date. 3
- Record the necessary journal entries during 2016 and 2017 for redemption of debentures.

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 floods in Kerala, all partners decided to help the flood victims personally. 4
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 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. 6
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 A limited company issued ₹1,00,000, 9% Debentures of ₹ 100 each at a discount of 6% on 1st April, 2016. 6
These debentures are to be redeemed equally in 5 annual installments starting from 31st March, 2017. Discount on Issue of Debentures is written off from Statement of Profit and Loss.
Show your working clearly and prepare Discount on Issue of Debenture Account till it is finally written off.
- 15 From the following Receipts and Payment Accounts and information given below, **prepare Income and Expenditure Account and Opening and Closing Balance Sheet of Mass Program for Functional Literacy(MPFL) .** 6
- | MPFL | | | |
|--|--------|---|--------|
| 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	Rs.	Payments	Rs.
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 X, Y and Z were partners sharing profits in the ratio of 2:2:1. The Balance Sheet on 31st March, 2018, when they dissolved the firm was as follows:

8

Liabilities	(₹)	Assets	(₹)
Bank Loan	11,500	Other Sundry Assets	1,17,000
Creditors	16,000	Furniture	11,000
Profit and Loss A/c	20,000	Debtors	1,24,200
Contingency Reserve	5,000	Less : Provision	1,200
Capitals:		Stock	17,800
X	1,27,500	Cash	13,200
Y	1,10,000	Advertisement Suspense	20,000
Z	17,000	Preliminary Expenses	5,000
	2,54,500		
	3,07,000		3,07,000

It was agreed that :

(i) X to take over furniture at ₹ 8,000 and debtors amounting to ₹ 1,20,000 at ₹1,17,200 and the creditors of ₹16,000 were to be paid by him at this figure.

(ii) Y is to take over all stock for ₹17,000 and some sundry assets at ₹ 72,000 (being 10% less than the book value)

(iii) Z to take over remaining sundry assets at 80% of the book value and assume the responsibility of discharge of loan together with accrued interest of ₹2,300.

(iv) The expenses of realization were ₹ 2,700. The remaining debtors were sold to a debt collecting agency at 50% of the value.

Prepare necessary accounts to close 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 Journal Entries.

PART – B (Financial Statement Analysis)

- 18 Give any two examples of cash inflows from operating activities other than cash receipts from sale of goods & rendering of services. 1
- 19 The Goodwill of X Ltd. increased from ₹2,00,000 in 2016 – 17 to ₹3,50,000 in 2017-18. What will be its treatment while preparing Cash Flow Statement for the year ended 31st March, 2018? 1
- 20 Give the main headings and sub headings under which the following items will be shown in a Company's Balance Sheet as per schedule III of Companies Act, 2013 : 4
 - (i) Sundry Creditors
 - (ii) Provision for Tax
 - (iii) Preliminary Expenses
 - (iv) Loose Tools
 - (v) Interest accrued on Investments
 - (vi) Goodwill

(vii)Investment in Preference Shares

(viii)Capital Reserve

- 21 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?

OR

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

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

- 22 From the following Statement of Profit and Loss of Sakhi Ltd. for the year ended 31st March, 2018, prepare 4 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%		

OR

Prepare Comparative Statement of Profit and Loss from the following.

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.

Particulars	Note No	31-3-2017 (₹)	31-3-2016 (₹)
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

NNo	Particulars	31-3-2017 (₹)	31-3-2016 (₹)
1	Reserves and Surplus General Reserve Balance in Statement of Profit & Loss	1,20,000 1,20,000 2,40,000	1,20,000 1,20,000
2	Trade Payable Creditors Bills Payable	1,40,000 40,000 1,80,000	1,20,000 1,20,000 2,40,000
3	Other Current Liabilities Outstanding Rent	1,80,000 1,80,000	1,60,000 1,60,000
4	Tangible Assets Plant & Machinery Accumulated Depreciation	14,90,000 (1,50,000) 13,40,000	13,00,000 (1,00,000) 12,00,000
5	Non-Current Investments Shares in XYZ Limited	2,40,000 2,40,000	1,60,000 1,60,000

Additional Information:

- a) During the year 2016-17, a machinery costing ₹ 50,000 and accumulated depreciation thereon ₹ 15,000 was sold for ₹ 32,000.
- b) 9 % Debentures ₹ 80,000 were issued on April 1, 2016.

End of the Question Paper