

INDIAN SCHOOL MUSCAT
FIRST PRELIMINARY EXAMINATION
JANUARY 2019 CLASS XII
SUGGESTED Marking Scheme – ACCOUNTANCY (055)
ALL SETS

SET A/B/C

SET A

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 Organizations, Partnership Firms and Companies)

- 1 State Any two reasons of preparing Revaluation Account at the time of admission of a partner. 1
- OR**
- State the reason for bringing goodwill by a new partner at the time of his admission
- A1 Revaluation Account is prepared at the time of admission of a partner because of the following two reasons: 1
- (i) To show the assets and liabilities at their current (revised) values.
- (ii) To ensure that no partner is at an advantage or disadvantage due to change in the value of assets and amount of liabilities
- OR**
- New partner brings his share of Goodwill at the time of admission to compensate the sacrificing partners in their sacrificing ratio.
- 2 State whether Receipts and Payments Account records all revenue receipts and Revenue payments. 1
- OR**
- How would be prizes accounted, if 'Prize Fund' is not maintained by sports club?
- A2 Receipts and Payments Account records all receipts and payments whether they are of Capital nature or Revenue nature or whether they relate to previous, current or following accounting years 1
- OR**
- Prizes awarded will be debited to Income and Expenditure Account
- 3 X and Y are Partners sharing profit and losses in the ratio of 3:2. Z was manager who receives the salary of ₹ 8,000 per month in addition to a commission of 5% on Net profits after charging such commission. Profit for the year ₹13,56,000 before charging salary. Find the total remuneration of the Z. 1
- A3 Z's Annual Salary $(₹ 8,000 \times 12) = ₹ 96,000$ 1
- Add: Z's Commission $[5/ 105 (₹ 13,56,000 - ₹ 96,000)]$ 60,000
- Total Remuneration of Z= 1,56,000
- 4 All the partners decided to dissolve the firm. Y a partners wants his Loan of ₹ 25000 to be paid before the payment of capitals of the partners But X another Partners wants that capital be paid before the payments of Y's Loan. Explain who is correct by giving proper justification of your choice. 1
- A4 Y is correct as Section 48 of Indian Partnership Act, 1932 provides that loan by a partner to the firm is paid before capital is repaid.

- 5 X Ltd. has outstanding ₹80,00,000 ,9% debentures of ₹100 each is due for redemption at a premium of 5%.Redemption is carried out of profits. The company has in its Debenture Redemption Reserve a balance of ₹ 4,00,000. State the amount of profit required to be transferred to Debenture Redemption Reserve. 1

OR

What is meant by 'Private Placement of Shares'?

- A5 **CALCULATION OF AMOUNT TO BE TRANSFERRED TO DEBENTURES REDEMPTION RESERVE** 1
Debentures Redemption Reserve Required (100% of ₹ 80,00,000)
Less: Existing Balance of Debentures Redemption Reserve 4,00,000
Amount to be transferred to Debentures Redemption Reserve 76,00,000

OR

Private placement of shares means any offer of securities or invitation by a company to subscribe for securities to some selected individuals and institutional investors.

- 6 Anju ,Manju and Sanju are partners sharing profit and losses in the ratio 3:2:1. Anju died on 31st July 2018. Accounts are closed on 31st March. Sale for the accounting year 2017-18 amounted to ₹6,00,000. Sale between the period of 1st April 2018 to 31st July 2018 amounted to ₹ 1,00,000. The profit for the year 2017-18 amounted to ₹ 90,000. Calculate Anju share in the profits of the firm. 1
- A6 **Calculation of Anju's Share in Profits = ₹ 7,500.** 1

- 7 Amit and Kartik are partners sharing profits and losses equally. They decided to admit Saurabh for an equal share in the profits. For this purpose the goodwill of the firm was to be valued at four years' purchase of super profits. 3

The Balance Sheet of the firm on Saurabh's admission was as follows:

Liabilities	Amount(₹)	Assets	Amount(₹)
Capitals :		Machinery	75,000
Amit 90,000		Furniture	15,000
Kartik 50,000	1,40,000	Stock	30,000
Reserve	20,000	Sundry Debtors	20,000
Loan	25,000	Cash	50,000
Sundry Creditors	5,000		
	1,90,000		1,90,000

The normal rate of return is 12% per annum. Average profit of the firm for the last four years was ₹ 30,000. Calculate Saurabh's share of goodwill.

- A7 **Normal Profit =1,60,000(12/100) = ₹19,200** 3
Average Profit = ₹30,000
Super Profit =₹30,000- 19200 = 10,800
Goodwill = 10,800X 4= 43,200
Saurabh Share of Goodwill= 43,200(1/3)= ₹14,400

- 8 Z Ltd. purchased a running business from Y Ltd. for ₹ 6,00,000 payable 10% by cheque and by issue of fully paid by 10% debentures of ₹ 100 each at a premium of 20%. The assets and liabilities were as follows: 3

Building ₹3,00,000 ; plant & Machinery ₹1,00,000 ; Stock ₹ 2,00,000;Sundry Debtors ₹ 1,00,000 ; Sundry Creditors 80,000.

Pass journal entries in the books of Z Ltd.

OR

Star Ltd. had outstanding 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.

Record necessary journal entries.

- A8 **In the books of Z Ltd.** 3

Date	Particulars	LF	Dr (₹)	Cr(₹)
	Building A/c ...Dr.		3,00,000	
	Plant and Machinery A/c ...Dr.		1,00,000	
	Stock A/c ...Dr.		2,00,000	
	Sundry Debtors A/c ...Dr.		1,00,000	

	To Sundry Creditors A/c To Y Ltd. To Capital Reserve A/c (Bal.fig) (Being Business purchased)			80,000 6,00,000 20,000
	Y a/cDr Bank a/c (Being payment of 10% made by cheque)		60,000	60,000
	Y Ltd a/c. Dr. To 10% Debenture a/c To Securities Premium Reserve a/c (Being 4,500; 10% Debentures issued at 20% premium for the balance) (Note 1)		5,40,000	4,50,000 90,000
Note 1: No. of Debentures to be Issued = 5,40,000/ 120=4500 Debentures				

OR

Date	Particulars	L.F	Debit (₹)	Credit (₹)
30 th April 2016	Debenture Redemption Investment A/c Dr To Bank A/c (Being investment made)		6,00,000	6,00,000
31 st March 2017	Bank A/c Dr To Debenture Redemption Investment A/c (Being investment encashed)		6,00,000	6,00,000
31 st March 2017	Surplus in statement of P/L A/C Dr D.R.R A/c (Being transfer of profits equal to 25%of the nominal value of debenture issued)		10,00,000	10,00,000
March 31 st	8% Debenture A/c Dr To Debenture holders A/c (Being amount due for Redemption)		40,00,000	40,00,000
31 st March	Debenture holders A/c Dr To Bank A/c (Being payment made to Debenture holders)		40,00,000	40,00,000
31 st March	D.R.R A/c Dr To General Reserve A/c (Being Amount transferred to General Reserve)		10,00,000	10,00,000

9 From the following information ,calculate the amount of subscription outstanding for the year ending 31st March ,2019 3

- A club has 200 members each paying an annual subscription of ₹ 1000.
- Subscription received during the year ₹ 2,05,000
- Subscription outstanding on 31st March 2018 ₹ 40,000
- Subscription received in advance as at 31st March 2019 ₹30,000
- Subscription received in advance as at 31st March 2018 ₹12,000

A9 Subscription received during the year ₹ 2,05,000 3

Less: Subscription outstanding on 31st March 2018 ₹ (40,000)

Less: Subscription received in advance as at 31st March 2019 ₹(30,000_

Add: Subscription received in advance as at 31st March 2018 ₹12,000

Add : **Subscription Outstanding as on 31st March 2019 = 53,000**

Subscription for the year (200 X 1000) = 200,000

Answer : ₹ 53,000

10 S. Singh 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. 3

Pass necessary journal entries for the above transactions:

- When company decided not to record the issue of 10 % Debentures as collateral security.
- When company decided to record the issue of 10 % Debentures as collateral security.

Journal

Date	Particulars	LF	Dr(₹)	Cr(₹)
i.	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
ii	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
	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

- 11 Arth, Bhart and Somu are partners in a firm sharing profits in the proportion of 3:2:1. Their Balance Sheet as on 31st March, 2018 stood as follows:

Particulars	(₹)	Particulars	(₹)
Bills payable	12,000	Buildings	21,000
Creditors	14,000	Cash in hand	12,000
General Reserve	12,000	Cash at Bank	13,700
Capital Accounts:		Debtors	12,000
Arth	20,000	Bills Receivable	4,300
Bhart	12,000	Stock	1,750
Somu	8,000	Investment	13,250
	78,000		78,000

Bhart died on 30th June, 2018 and according to the deed of the said partnership his executors are entitled to be paid as under:

- The capital to his credit at the time of his death and interest there on @10% p.a.
- His proportionate share of general reserve.
- His share of profits for the intervening period will be based on the sales during that period. Sales were calculated as ₹ 1,20,000. The rate of profit during past three years had been 10% on sales.
- Goodwill according to her share of profit to be calculated by taking twice the amount of profits of the last three years less 20%. The profits of the previous three years were:

2015-2016	₹ 8,200
2016-2017	₹ 9,000
2017-2018	₹ 9,800

The investments were sold at par and her executors were paid out.
Prepare Bhart's Capital Account and his Executor's Account.

Date	Particulars	(₹)	Date	Particulars	(₹)
2018 June 30	To Bhart's Executor A/c (Balancing Figure)	34,700	2018 30 June	By Balance b/d	12,000
				By General Reserve	4,000
				By Interest on Capital	300
				By P & L Suspense	4,000
				By Arth's Capital A/c	10,800
				By Somu's Capital A/c (Goodwill)	3,600
		34,700			34,700

Dr.

Bhart's Executors' a/c

Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
2018 June 30	To Bank A/c	34,700	2018 June 30	By Bhart's Capital a/c	34,700
		34,700			34,700

- 12 L, R and S are sharing profits and losses in the ratio of 5:3:2. Their General Reserve was ₹ 50,000. They decided to share future profits and losses in the ratio of 2:3:5 with effect from 1st April 2018. Goodwill was valued ₹ 100,000. They also decided to record the effect of the following revaluations without affecting the book value of the assets and liabilities by passing a single adjusting entry for revaluation of assets and liabilities, Goodwill and General Reserve. 4

Particulars	Book Figure	Revised Figure
Building	10,00,000	11,00,000
Machinery	5,00,000	4,80,000
Creditors	1,20,000	1,10,000
Outstanding expenses	1,20,000	1,50,000

Pass the necessary single adjusting entry by showing the workings clearly.

- A12 Gaining /Sacrificing partners S gaining partner 3/10 and L sacrificing partner 3/10 4

Building =100,000

Machinery =(20,000)

Creditors =10,000

Outstanding Expenses =(30,000)

Revaluation Profit = 60,000

General Reserve = 50,000

Goodwill = 1,00,000

Total =2,10,000

S gain = (3/10X 210,000) =63,000

L sacrifice = 63,000

Journal Entry

Date	Particulars	LF	Dr	Cr
	S Capital a/c Dr. To L capital a/c (Being Adjustment entry passed)		63,000	63,000

13 Given Below is the receipt and Payment account of Modern club for the year ended 31st March 2018 6

Receipts	Amt (₹)	Payments	Amt (₹)
To Subscription	65,400	By Salary	22,000
To Donation	20,000	By Rent	4,400
To Contribution for annual Dinner	5,000	By Insurance 2017-2018	2,400
		2018-2019	600
To Receipts from Tournaments	15,000	By expenses on Annual Dinner	4,500
To Legacies	30,000	By Expenses on Tournament	12,700
To Entrance Fees	6,000	By Billiard Tables	47,000
To Billiard Fees	18,600	By National Saving Certificate	35,000
		By balance c/d	31,400
	1,60,000		1,60,000

Information's:

1. Subscription include Subscriptions for 2018-2019 ₹1,200
 2. Subscription outstanding for current year ₹ 5,000 of which ₹ 1,000 are considered doubtful
 3. 12% National Saving Certificates were bought on 1st January 2018.
 4. Salary and rent for the Month of March 2018 has not been paid so far.
 5. One half and Donations and one-Third of Entrance Fees are to treated as General Income.
- You are required to prepare Income and Expenditure account for the year ended 31st March 2018.

Income and Expenditure Account for the year ending 31st March 2018

A 13 6

Expenditure	Amt (₹)	Income	Amt (₹)
To Salary 22000	24,000	By Subscription 65,400	
Add: Outstanding 2000		Less : Recd in Advance 1,200	
		Add: outstanding 5000	
		Less doubtful (1000) 4000	68,200
To Rent 4,400	4,800	By Donation (½ *20,000)	10,000
Add: Outstanding 400			
To Insurance	2,400	By Contribution for annual Dinner	5,000
To Expenses on Annual Dinner	4,500	By Receipts from Tournaments	15,000
To Expenses on Tournament	12,700	By Billiard Fees	18,600
To Excess of Income over Expenditure (surplus)	72,500	By Entrance Fees 6,000	
		Less : 2/3 rd capitalized (4,000)	2,000
		By Interest on 12% NSC	1050
	1,20,900		1,20,900

14 Charu and Palak are partners in a firm and they decided to dissolve the partnership as on 31st March, 2018. On that day, their balance sheet was as follows: 6

Liabilities	Amount	Assets	Amount
Capitals:		Building	17,000
Charu 10,000		Machinery	8,000
Palak 10,000	20,000	Furniture	2,000
General Reserve	10,000	Stock	4,500
Creditors	10,000	Sundry Debtors	5,500
		Cash at bank	3,000
	40,000		40,000

Amongst the partners, Charu decided to take over machinery at ₹7,500 while Palak took over building at ₹ 18,000. Stock realized its full value while furniture was sold at a discount of 10 per cent. Debtors were settled at ₹5,000 and Realisation expenses amounted to ₹750. Close the books of account by preparing necessary ledger account

Dr. Realisation a/c			Cr.		
Liabilities		Amt	Assets		Amount
To Sundry Assets			By Creditors		10,000
Building	17,000		By Charu capital A/c		7,500
Machinery	8,000		(machinery)		
Furniture	2,000		By Palak's capital A/c		18,000
Stock	4,500		(building)		
Sundry Debtors	5,500	37,000	By Bank		
To bank			-Stock	4,500	
Creditors	10,000		- Furniture	1,800	11,300
Realisation Expenses	750	10,750	-Debtors	5,000	
			By Loss		
			Charu's -- 475		950
			Palak's -- 475		
		47,750			47,750

Dr. Partner's Capital a/c			Cr.		
Particulars	Charu	Palak	Particulars	Charu	Palak
To realisation	7,500	18,000	By balanced b/d	10,000	10,000
To realisation	475	475	By Reserve	5,000	5,000
To Bank	7025		By bank		3475
	15000	18,475		15000	18,475

Dr. Cash at Bank a/c			Cr.	
Particulars	Amount	Particulars	Amount	
To Cash at bank	3,000	By realisation a/c	10,750	
To realisation a/c	11,300	By Charu's capital	7025	
To Palak's capital A/c	3,475			
	<u>17,775</u>		<u>17,775</u>	

- 15 D, E and F were partners in a firm sharing profits in the ratio of 5:7:8. Their fixed capitals were ; D ₹10,00,000; E ₹14,00,000 and F ₹16,00,000. Their Partnership deed provided for the following:

- Interest on capital @ 10% per annum and Interest on drawings @12% per annum.
- Salary of ₹20,000 per month to F.
- D Withdrew ₹ 80,000 on 31st January, 2018; E withdrew ₹1,00,000 on 31st March, 2018 and F withdrew ₹ 60,000 during the year.
- During the year ended 31st December, 2018, the firm earned a profit of ₹7,00,000. Partners have also decided to give more jobs in their business to the economically backward women.

Prepare P/L Appropriation Account. Identify the values disclosed by the partners

OR

L, M and N are partners in a firm sharing profits & losses in the ratio of 2 : 3 : 5. On April 1, 2016 their fixed capitals were ₹ 2,00,000, ₹ 3,00,000 and ₹ 4,00,000 respectively.

Their partnership deed provided for the following:

- Interest on capital @ 9% per annum.
- Interest on Drawings @ 12% per annum.
- Interest on partners' loan @ 12% per annum.

On July 1, 2016, L brought ₹ 1,00,000 as additional capital and N withdrew ₹ 1,00,000 from his capital.

During the year L, M and N withdrew ₹ 12,000, ₹ 18,000 and ₹ 24,000 respectively for their personal use. On January 1, 2017 the firm obtained a Loan of ₹ 1,50,000 from M. The Net profit of the firm for the year ended March 31, 2017 after charging interest on M's Loan was ₹ 85,000.
Prepare Profit & Loss Appropriation Account and Partners Capital Account

- 15 Values : a) Women Empowerment
A b) Balanced development

6

Profit and Loss appropriation account.			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Salary	2,40,000	By P& L A/C	700,000
To interest on capital D 1,00,000 E 1,40,000 F 1,60,000	4,00,000	By IOD D 8,800 E 9,000 F 3,600	21,400
To profit Transferred to D 20,350 E 28,490 F 32,560	81,400		
	7,21,400		7,21,400

- 15
A

Profit and Loss appropriation account.			
Particulars	Amount (₹)	Particulars	Amount (₹)
To Interest on Capital: L's Current Account 24,750 M's Current Account 27,000 N's Current Account 29,250 To Profit transferred to Partners' Current Accounts L 1,448 M 2,172 N 3,620	81,000 7240	Net Profit b/d By Interest on Partners' Drawings L's Current Account 720 M's Current Account 1,080 N's Current Account 1,440	85,000 3240
	88,240		88,240

6

Partners Current account

Date	Particulars	L	M	N	Date	Particulars	L	M	N
2016 July 1	To Bank			1,00,000	2016 July 1	By Bal b/d	2,00,000	3,00,000	4,00,000
2016 July 1	To bal c/d	3,00,000	3,00,000	3,00,000	July 1	By bank	1,00,000		
		3,00,000	3,00,000	4,00,000			3,00,000	3,00,000	4,00,000

- 16 ZX Limited invited applications for issuing 5,00,000 Equity shares of ₹ 10 each payable at a premium of ₹ 10 each payable with Final call. Amount per share was payable as follows:

8

On Application 2

On Allotment 3

On First Call 2

On Second & Final Call Balance

Applications for 8,00,000 shares were received. Applications for 50,000 shares were rejected and the application money was refunded. Allotment was made to the remaining applicants as follows:

Category	Number of Shares Applied	Number of Shares Allotted
I	2,00,000	1,50,000

II 5,50,000 3,50,000
 Excess application money received with applications was adjusted towards sums due on allotment. Balance, if any was adjusted towards future calls. Govind, a shareholder belonging to category I, to whom 1,500 shares were allotted, paid his entire share money with allotment. Manohar belonging to category II, who had applied for 11,000 shares failed to pay 'Second & Final Call money'. Manohar's shares were forfeited after the final call. The forfeited shares were reissued at ₹ 10 per share as fully paid up. Assuming that the company maintains "Calls in Advance Account" and "Calls in Arrears Account", pass necessary Journal entries for the above transactions in the books of ZX Limited.

OR

- (a) AX Limited forfeited 6,000 shares of ₹ 10 each for non-payment of First call of ₹ 2 per share. The Final call of ₹ 3 per share were yet to be made. The Final call was made after Forfeited of these shares. Of the forfeited shares, 4,000 shares were reissued at ₹ 9 per share as fully paid up. Assuming that the company maintains 'Calls in Advance Account' and 'Calls in Arrears Account', prepare "Share Forfeited Account" in the books of AX Limited.
- (b) BG Limited issued 2,00,000 equity shares of ₹ 20 each at a premium of ₹ 5 per share. The shares were allotted in the proportion of 5 : 4 of shares applied and allotted to all the applicants. Deepak, who had applied for 900 shares, failed to pay Allotment money of ₹ 7 per share (including premium) and on his failure to pay 'First & Final Call' of ₹ 2 per share, his shares were forfeited. 400 of the forfeited shares were reissued at ₹ 15 per share as fully paid up. Showing your working clearly, pass necessary Journal entries for the Forfeited and reissue of Deepak's shares in the books of BG Limited. The company maintains 'Calls in Arrears' Account'.
- (c) ML Limited forfeited 1,200 shares of ₹ 10 each allotted to Ravi for Non-payment of 'Second & Final Call' of ₹ 5 per share (including premium of ₹ 2 per share). The forfeited shares were reissued for ₹ 10,800 as fully paid up. Pass necessary Journal entries for reissue of shares in the books of ML Limited

16 In the Books of ZX td.

8

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Bank Account Dr. To Equity Share Application Account (Application money received)		16,00,000	16,00,000
	Equity Share Application Account Dr. To Equity Share Capital Account To Equity Share Allotment Account To Bank Account (Application money transferred to Equity Share Capital account, Equity Share Allotment account and remaining amount refunded)		16,00,000	10,00,000 5,00,000 1,00,000
	Equity Share Allotment Account Dr. To Equity Share Capital Account (Allotment money due on 5,00,000 equity shares @ ₹ 3 each)		15,00,000	15,00,000
	Bank Account Dr. To Equity Share Allotment Account To Calls in Advance Account (Allotment money received along with Calls in Advance on 1,500 Shares)		10,22,500	10,00,000 22,500
	Equity Share First Call Account Dr. To Equity Share Capital Account (First Call money due on 5,00,000 equity shares @ ₹ 2 each)		10,00,000	10,00,000
	Bank Account Dr. Calls in Advance Account Dr.		9,97,000 3,000	

	To Equity Share First Call Account (First call money received)			10,00,000
	Equity Share Final Call Account Dr. To Equity Share Capital Account To Securities Premium Reserve Account (Final Call money due on 5,00,000 equity shares @ ₹ 13 each including premium of ₹ 10 each)		65,00,000	50,00,000 15,00,000
	Bank Account Dr. Calls in Advance Account Dr. Call in Arrears Account Dr. To Equity Share Final Call Account (Final call money received)		63,89,500 19,500 91,000	65,00,000
	Equity Share Capital Account Dr. Securities Premium Reserve Account Dr. To Share Forfeited Account To Calls in Arrears Account (Manohar's Shares forfeited)		70,000 70,000	49,000 91,000
	Bank Account Dr. To Equity Share Capital Account (Forfeited Shares of Manohar reissued)		70,000	70,000
	Share Forfeited Account Dr. To Capital Reserve Account (Share forfeited account transferred to capital reserve account)		49,000	49,000

OR

a) AX LTD

Share Forfeited A/c

Date	Particulars	JF	₹	Date	Particulars	JF	₹
	To Share Capital a/c		4,000		By Share Capital a/c		30,000
	To Capital Reserve a/c		16,000				
	To Balance c/d		10,000				
			30,000				30,000

b) BG LTD

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Share Capital Account Dr. Securities Premium Reserve Dr. To Share Forfeited Account To Calls in Arrears Account (720 Shares forfeited)		14,400 2160	12,960 3,600
	Bank Account Dr. Share Forfeited Account Dr. To Share Capital Account (400 Shares re-issued @ ₹ 15 each)		6,000 2,000	8,000
	Share Forfeited Account Dr. To Capital Reserve Account (Gain on re-issue of forfeited shares transferred to capital reserve account)		5,200	5,200

c) ML LTD

Date	Particulars	LF	Dr. (₹)	Cr. (₹)
	Bank Account Dr. Share Forfeited Account Dr. To Share Capital Account (400 Shares re-issued @ ₹ 15 each)		10,800 1200	12,000
	Share Forfeited Account Dr.		7,200	

- 17 **To Capital Reserve Account**
(Gain on re-issue of forfeited shares transferred to capital reserve account) **7,200**
- P and Q were partners in a firm sharing profits in 3:2 ratio. R was admitted as a new partner for $\frac{1}{4}$ share in the profits on April 1, 2018. The Balance Sheet of the firm on March 31, 2018 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
P's Capital	96,000	Cash	20,000
Q's Capital	68,000	Stock	20,000
Sundry Creditors	20,000	Debtors	18,000
General Reserve	16,000	Furniture	12,000
		Plant & Machinery	40,000
		Land & Building	90,000
	2,00,000		2,00,000

On the above date, R was admitted on the following terms –

- R brought in cash 60,000 for his capital and 30,000 for his share of goodwill.
- Building was valued at 1,00,000 and Machinery at 36,000.
- The capital accounts of P and Q were to be adjusted in the new profit-sharing ratio. Necessary cash was to be brought in or paid off to them as the case may be.

Prepare Revaluation Account, Partner's Capital Account and the Balance Sheet of P, Q and R.

OR

Khushboo, Leela and Meena were partners in a firm sharing profits in the ratio of 5:3:2. Their Balance Sheet on March 31, 2018 was as follows:

Liabilities	Amt(₹)	Assets	Amt (₹)
Sundry Creditors	70,400	Bank	44,000
Capital accounts:		Sundry Debtors	24,000
Khushboo 90,000		Stock	60,000
Leela 56,000		Land and building	1,40,000
Meena 60,000	2,06,000	Profit & loss a/c	8,000
	2,76,000		2,76,000

On April 1, 2018 Leela retired on the following terms:

- Building was to be depreciated by 10,000.
- A Provision of 5% was to be made on Debtors for doubtful debts.
- Salary outstanding was 4,800
- Goodwill of the firm was valued at 1, 40,000.
- Leela was to be paid 20,800 through cheque and the balance was to be paid in two equal quarterly installments (starting from June 30, 2018) along with interest @ 10% p.a.

Prepare Revaluation Account, Leela's Capital Account and her Loan Account till it is finally paid.

Dr.	Revaluation a/c				Cr.
Particulars	LF	Amt(₹)	Particulars	LF	Amt(₹)
To Machinery		4,000	By Buildings		10,000
To Profit Distributed:					
P 3,600					
Q 2,400		6,000			
		10,000			10,000

Dr.	Partners Capital a/c						Cr.
Particulars	P	Q	R	Particulars	P	Q	R
To Cash A/c	19,200	16,800		By Balance b/d	96,000	68,000	
To Balance c/d	1,08,000	72,000	60,000	By General Reserve	9,600	6,400	
				By Cash A/c			60,000
				By Premium for Goodwill	18,000	12,000	
				By Revaluation A/c	3,600	2,400	
	1,27,200	88,800	60,000		1,27,200	88,800	60,000

Balance Sheet of P,Q and R as at April 1, 2018

Liabilities	Amt(₹)	Assets	Amt (₹)
Creditors	20,000	Building	1,00,000
Capital:		Machinery	36,000
P 1,08,000		Cash	
Q 72,000		(20,000+60,000+30,000-19,200-	74,000
R 60,000	2,40,000	16,800)	18,000
		Debtors	20,000
		Stock	12,000
		Furniture	
	2,60,000		2,60,000

OR

Dr.	Revaluation a/c				Cr.
Particulars	LF	Amt(₹)	Particulars	LF	Amt(₹)
To Buildings		10,000	By Loss Distributed:		
To Prov. for Doubtful Debts		1,200	Khushboo 8,000		
To Salary Outstanding		4,800	Leela 4,800		
			Meena 3,200		16,000
		16,000			16,000

Dr.	Leela Capital a/c				Cr.
Particulars	LF		Particulars	LF	
To Profit & Loss A/c		2,400	By Balance b/d		56,000
To Revaluation A/c		4,800	By Khushboo's Capital		30,000
To Bank A/c		20,800	By Meena's Capital		12,000
To Leela's Loan A/c		70,000			
		98,000			98,000

Dr.	Leela Loan a/c						Cr.
Date	Particulars	LF	Amt (₹)	Date	Particulars	LF	Amt (₹)
2018				2018			
June30	To Bank A/c		36,750	Apr 1	By Leela's Capital		70,000
Sep 30	To Bank A/c		35,875	June 30	By Interest		1,750
				Sep 30	By Interest		875
			72,625				72,625

PART – B (Financial Statement Analysis)

- 18 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
- 18 **It will be taken as purchase of Goodwill of 1,50,000 and will be shown under Cash from Investing Activities as an outflow of cash.** 1
- 19 Give any two examples of cash inflows from operating activities other than cash receipts from sale of goods & rendering of services. 1
- 19 **Any two of the followings:** 1
- A (i) Royalties
(ii) Commission Received
(iii) Sale of Scrap
- 20 a. Name the sub heads under the head 'Current Liabilities' in the Equity and Liabilities part of the Balance Sheet as per As per schedule III Part I of the companies Act 2013. 4
- b. State any two objectives of Financial Statements Analysis.
- 20 **(a) CURRENT LIABILITIES**
- A (i) Short term borrowings
(ii) Trade payables
(iii) Other current liabilities
(iv) Short term provisions
- (b) Objectives of Financial Statements Analysis (any two)**
- (i) Helps in assessing the earning capacity or profitability (ii) Helps in assessing managerial efficiency (iii) Helps in assessing the long term and short term solvency of the enterprise. (iv) Helps in inter-firm comparison. (v) Helps in forecasting and preparing budgets. (vi) Helps the users in understanding complicated matter in a simplified manner.
- 21 a. From the following details, calculate Opening inventory: Closing inventory ₹60,000; Total Revenue from operations ₹5,00,000 (including cash revenue from operations ₹1,00,000); Total purchases ₹3,00,000 (including credit purchases ₹60,000). Goods are sold at a profit of 25% on cost. 4
- b. Current Assets of a company are ₹17,00,000. Its current ratio is 2.5 and liquid ratio is 0.95. Calculate Current Liabilities and Inventory.
- 21 a. Total revenue from operations = ₹ 5,00,000 4
- A Gross Profit = $\frac{1}{4}$ of cost = $\frac{1}{5}$ of sales
 $\frac{1}{5}$ of 5,00,000 = 1,00,000
Cost of Revenue from operations = Net Revenue from operations - Gross Profit
= ₹5,00,000 - ₹1,00,000 = ₹ 4,00,000
Cost of Revenue from operations = Opening Inventory + Net Purchases - Closing inventory
₹ 4,00,000 = Opening inventory + ₹ 3,00,000 - ₹ 60,000
Opening inventory = ₹ 1,60,000 .
- b. Current Liabilities = 6,80,000 Inventory = 10,54,000
- 22 Rehman Ltd. is into the business of back office operations. It has a good turnover and profits. Encouraged by huge profits, it decided to give the workers bonus equal to two months' salary. Following is the Statement of Profit and Loss of Rehman Ltd. for the years ended 31st March 2017 and 2018. 4

Particulars	Note No	2016-17 (₹)	2017-18 (₹)

I. Revenue from Operations		6,00,000	7,00,000
II. Other Incomes		50,000	80,000
III. Total Revenue (I + II)		6,50,000	7,80,000
IV. Expenses :			
Purchase of Stock-in-Trade		1,80,000	2,00,000
Employee benefits expense		90,000	1,00,000
Other expenses		80,000	80,000
V. Profit Before Tax (III – IV)		3,00,000	4,00,000
Less : Tax		90,000	1,60,000
VI. Profit After Tax		2,10,000	2,40,000

(a) Prepare Comparative Income Statement and Calculate Net Profit ratio for the years ending 31st March 2017 and 2018.

(b) Identify any two values which Rehman Ltd. wants to communicate to the society.

A
22

Comparative Income Statement					
Particulars	Note No	2016-17 (₹)	2017-18 (₹)	Absolute Change	Percentage change
I. Revenue from Operations		6,00,000	7,00,000	1,00,000	16.67 %
II. Other Incomes		50,000	80,000	30,000	60 %
III. Total Revenue (I + II)		6,50,000	7,80,000	1,30,000	35.38 %
IV. Expenses :					
Purchase of Stock-in-Trade		1,80,000	2,00,000	20,000	11.11 %
Employee benefits expense		90,000	1,00,000	10,000	11.11 %
Other expenses		80,000	80,000	--	--
V. Profit Before Tax (III – IV)		3,00,000	4,00,000	1,00,000	33.33 %
Less : Tax		90,000	1,60,000	70,000	77.77 %
VI. Profit After Tax		2,10,000	2,40,000	30,000	14.28%

4

$$\text{NPR} = (\text{NP/RFO}) \times 100$$

$$= 2016 -17 = 32.3\%$$

$$= @017-18 = 30.76\%$$

b) Any Two Value : Sharing , Compassionate

Following is the Balance Sheets of Ritu Ltd. as at 31st March 2018:

23

6

	PARTICULARS	Note No.	31 March 2017-18	31 March 2016-17
I.	EQUITY & LIABILITIES			
	(1) Shareholders' Funds			
	(a) Share Capital		15,00,000	14,00,000
	(b) Reserves & Surplus	1	2,50,000	1,10,000
	(2) Non - Current Liabilities		2,00,000	1,25,000
	(a) Long Term Borrowings			
	(2) Current Liabilities			
	(a) Short term borrowings	2	12,000	10,000
	(b) Trade Payables		15,000	83,000
	(c) Short term provisions	3	18,000	11,000
	TOTAL		19,95,000	17,39,000
II	ASSETS			
	(1) Non - Current Assets			
	(a) Fixed Assets	4	18,60,000	16,10,000

	(i) Tangible assets			
	(ii) Intangible assets	5	50,000	30,000
	(2) Current Assets			
	(a) Current Investments		8,000	5,000
	(b) Inventories		37,000	59,000
	(c) Trade Receivables		26,000	23,000
	(d) Cash & Cash Equivalents		14,000	12,000
	TOTAL		19,95,000	17,39,000

Notes to Accounts :-

Note No.	Particulars	2017-18	2016-17
1	Reserves and Surplus:- Surplus (balance in Statement of Profit and Loss)	2,50,000	1,10,000
2	Short Term Borrowings Bank Overdraft	12,000	10,000
3	Short term provisions Provision for Tax	18,000	11,000
4	Tangible Assets Machinery Accumulated Depreciation	20,00,000 (1,40,000)	17,00,000 (90,000)
5	Intangible Assets Patents	50,000	30,000

Additional Information's:-

- Tax paid during the year amounted to ₹16, 000.
 - Machine with a net book value of ₹10,000 (Accumulated Depreciation ₹40,000) was sold for ₹2,000.
- Prepare Cash Flow Statement.

Cash Flow Statement Ritu Ltd. For the year ended 31st March 2018

Particulars	Amt (₹)	Amt (₹)
I – CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax		1,40,000
Add: Provision for Tax		23,000
Net Profit before Tax and Extraordinary Items		1,63,000
Add: Non-Cash and Non-operating Expenses: Depreciation Loss on Sale of Machine	90,000 8,000	<u>98,000</u>
		2,61,000
Add: Decrease in Current Assets & Increase in Current Liabilities		

Inventories	22,000	<u>22,000</u> 2,83,000
Less: Increase in Current Assets & Decrease in Current Liabilities		
Trade Receivables	3,000	
Trade Payables	68,000	(71,000)
Cash generated from Operating Activities		2,12,000
Less: Income Tax Paid		(16,000)
Net Cash Flow From Operating Activities (I)		1,96,000
II – CASH FLOW FROM INVESTING ACTIVITIES		
Sale Of Machinery		2,000
Purchase of Machinery		(3,50,000)
Purchase of Patents		(20,000)
Cash Used in Investing Activities (ii)		(3,68,000)
III – CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital		1,00,000
Proceeds from Long term Borrowings		75,000
Increase in Bank Overdraft		2,000
Cash Flow From Financing Activities (iii)		1,77,000
IV – NET INCREASE IN CASH & CASH EQUIVALENTS (i+ii+iii)		5,000
V – Cash & Cash Equivalents in the Beginning of the year		
Current Investments	5,000	
Cash & Cash Equivalents	12,000	17,000
VI – Cash & Cash Equivalents at the End of the year		
Current Investments	8,000	
Cash & Cash Equivalents	14,000	22,000

SET B

Ans 1	<p>Goodwill share of C = ₹3,00,000 - ₹2,50,000 = ₹50,000</p> <p>Firm's Goodwill = $50,000 \times 10/2 = ₹2,50,000$</p> <p>D's share in Goodwill = $₹2,50,000 \times 1/4 = ₹62,500$</p> <p style="text-align: center;">OR</p> <p>Combined capital of A and B = ₹3,85,000 + ₹4,15,000 = ₹8,00,000</p> <p>C's share = $1/5$th of total capital</p> <p>Remaining share = $1 - 1/5 = 4/5$</p> <p>$4/5 = ₹8,00,000$</p> <p>C's capital = $₹8,00,000 \times 5/4 \times 1/5 = ₹2,00,000$</p>	1
Ans 3	No, Maximum no. of partners as per The Companies Misc. Rule, 2014 is 50 persons	1
Ans 18	Rent received is inflow of cash from Investing Activities	1

SET C

Ans 1	A is wrong, he cannot deny as B holds the right to inspect the accounts OR It is debited to Profit and Loss Account because it is a charge against the profit.	1
Ans 3	Provident Fund ₹ 58,000.	1
Ans 6	(a) Time Basis and (b) Turnover Basis	1
Ans 18	Because investment is principle revenue producing activity of a mutual fund.	1
Ans 19	i) Operating activity. ii) Investing activity	1
Ans 20	a) Head: Current Assets Sub head ; Inventories b) While calculating Inventory Turnover Ratio it is not included in Inventories c) Objectives - Assessing the ability of the enterprise to meet its short term and long term commitments, Assessing the earning capacity of the enterprise d) Values: Transparency, Honesty, Abiding by law	4
