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SET A



**INDIAN SCHOOL MUSCAT
FIRST PRELIMINARY EXAMINATION
ACCOUNTANCY**

CLASS: XII

Sub. Code: 055

Time Allotted: 3 Hrs.

13.01.2019

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 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

- 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?

- 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

- 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

- 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'?

- 6 Anju ,Manju and Sanju are partners sharing profit and losses in the ratio 3:2:1. 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.
- 7 Amit and Kartik are partners sharing profits and losses equally. They decided to 3
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.
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		
	<u>1,90,000</u>		<u>1,90,000</u>

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.

- 8 Z Ltd. purchased a running business from Y Ltd. for ₹ 6,00,000 payable 10% by 3
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:
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.

- 9 From the following information ,calculate the amount of subscription outstanding 3
for the year ending 31st March ,2019
- 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 on 31st March 2019 ₹30,000
 - Subscription received in advance as on 31st March 2018 ₹12,000

- 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.

- 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: 4

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.

- 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.

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

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 2018-2019	2,400 600
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	<u>18,600</u>	By National Saving Certificate	35,000
		By balance c/d	31,400
	<u>1,60,000</u>		<u>1,60,000</u>

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 be treated as General Income.

You are required to prepare Income and Expenditure account for the year ended 31st March 2018.

- 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
	<u>40,000</u>		<u>40,000</u>

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 accounts.

- 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: 6

- 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.

- 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:

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.

- 17 P and Q were partners in a firm sharing profits in 3:2 ratio. R was admitted as a new partner for $\frac{1}{4}$ th share in the profits on April 1, 2018. The Balance Sheet of the firm on March 31, 2018 was as follows: 8

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
	<u>2,76,000</u>		<u>2,76,000</u>

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.

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
- 19 Give any two examples of cash inflows from operating activities other than cash receipts from sale of goods & rendering of services. 1
- 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.
- 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.
- 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 & 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.

	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			
	(3) 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		<u>19,95,000</u>	<u>17,39,000</u>
II.	ASSETS:			
	(1) Non - Current Assets			
	(a) Fixed Assets			
	(i) Tangible assets	4	18,60,000	16,10,000
	(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		<u>19,95,000</u>	<u>17,39,000</u>

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	20,00,000	17,00,000
	Accumulated Depreciation	(1,40,000)	(90,000)
5	Intangible Assets Patents	50,000	30,000

Additional Information:

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

Prepare Cash Flow Statement.

****End of the Question Paper****