



INDIAN SCHOOL MUSCAT

FIRST PRE – BOARD EXAMINATION

Accountancy

CLASS: XII

Sub. Code: 055

Time Allotted: 03 hours

06.01.2020

Max. Marks: 80

General Instructions:

- This paper consists of two parts A and B.
- Please write question number before attempting a question.
- Attempt all parts of a question at one place.
- Use of calculators or any other calculating device not allowed.
- Show clearly working notes wherever necessary.

PART A

(Accounting for Not-for-Profit Organizations, Partnership Firms and Companies)

1. The amount of Sundry Assets transferred to Realisation Account is ₹ 80,000. Assets realised 96% of their book value. What amount should be credited to Realisation Account? 1
2. Subscriptions received in advance during an accounting year is: 1
 (a) An Income (b) An Expense (c) An Asset (d) A Liability
3. Can a partner be exempted from sharing the losses in a firm? If yes, under what circumstances? 1
4. A, B and C were partners in a firm sharing profits in 3:2:1 ratio. They decided to share future profits in 5:3:2 ratio. For this purpose, the goodwill of the firm was valued at ₹ 1,20,000. Pass an adjustment entry for the treatment of goodwill. 1
5. When a new partner does not bring his share of goodwill in cash, the amount is debited to: 1
 (a) Premium Account (b) Cash Account
 (c) Current Account of New Partner (d) Capital Accounts of Old Partners
6. Calculate Interest on Drawings of Mr. Arun @ 10% p.a. for the year ended 31st March, 2019 when he withdrew ₹ 7,500 at the end of each quarter. 1
7. At what rate, interest is payable on the amount remaining unpaid to the executor of a deceased partner? 1
8. A firm's balance sheet had a Workmen Compensation Fund of ₹ 20,000. Ram, a new partner is admitted. The liability against Workmen Compensation Fund was determined to be ₹ 15,000. What amount out of Workmen Compensation Fund is distributed among old partners? 1
9. A and B were partners in a firm sharing profits and losses in the ratio of 4:3. They admitted C as 1

a new partner. The new profit sharing ratio between A, B and C was 3:2:2. A surrendered $\frac{1}{4}$ th of his share in favour of C. Calculate B's sacrifice.

10. Archie Ltd. Decides to redeem 2,000; 9% Debentures of ₹ 100 each on 30th June, 2019. The company is required to invest in specified securities on or before: 1
 (a) 30th April, 2018 (b) 30th April, 2017
 (c) 30th June, 2018 (d) 30th April, 2019
11. Goodwill Account appearing in the books on the dissolution date is closed by transferring it to _____ side of the Realisation Account. 1
12. State True/False. 1
 At the time of admission of a partner, capital of partners cannot be adjusted on the basis of old partners' capital.
13. Shares can be issued for _____ to promoters or for purchase of business or assets. 1
14. You are provided with the following information of a club. ₹ 3
 (a) Subscription received for the year ended 31st March 2018. 1,25,900
 (b) Subscription outstanding as on 31st March 2017. 9,750
 (c) Subscription received in advance as on 31st March 2017. 4,500
 (d) Subscription outstanding as on 31st March 2018 8,470
 (e) Subscription received in advance as on 31st March 2018. 7,640
 Show how the above information would appear in the balance sheets as at 31st March, 2018 and the Income and Expenditure Account for the year ended 31st March 2018.

OR

Distinguish between Income and Expenditure Account and Receipt and Payment Account on basis of :- (i) Nature, (ii) Nature of items and (iii) Period

15. 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. 4
16. Following is the Balance Sheet of Punita, Rashi and Seema who are sharing profits in the ratio 2:1:2 as on 31st March 2019. 4

Liabilities	₹	Assets	₹
Creditors	38,000	Building	2,40,000
Bills Payable	2,000	Stock	65,000
Capitals:		Debtors	30,000
Punita 1,44,000		Cash at Bank	5,000
Rashi 92,000		Profit and Loss Account	60,000
Seema 1,24,000	3,60,000		
	4,00,000		4,00,000

Punita died on 30th September 2019. She had withdrawn ₹ 44,000 from her capital on July 1, 2019. According to the partnership agreement, she was entitled to interest on capital @8% p.a. Her share of profit till the date of death was to be calculated on the basis of the average profits of

the last three years. Goodwill was to be calculated on the basis of three times the average profits of the last four years. The profits for the years ended 2015-16, 2016-17 and 2017-18 were ₹ 30,000, ₹ 70,000 and ₹ 80,000 respectively. Prepare Punita's Account to be rendered to her executors.

17. 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. 4

(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.

OR

Kavita, Meenakshi and Gauri are partners doing a paper business in Ludhiana. After the accounts of partnership have been drawn up and closed, it was discovered that for the years ending 31st March 2018 and 2019, interest on capital has been allowed to partners @ 6% p.a. although there is no provision for interest on capital in the partnership deed. Their fixed capitals were ₹ 2,00,000; ₹ 1,60,000 and ₹ 1,20,000 respectively. During the last two years they had shared the profits as under:

Year	Ratio
31 March 2018	3:2:1
31 March 2019	5:3:2

You are required to give necessary adjusting entry on April 1, 2019.

18. What journal entries would be passed for the following transactions on the dissolution of a firm, after various assets (other than cash) and third party liabilities have been transferred to Realization account. 4

Bank loan ₹12,000 is paid.

Expenses on dissolution amounted to ₹1,500 and were paid by partner A.

A typewriter completely written off in the books of accounts was sold for ₹200.

There was a joint life policy for ₹ 60,000 in the books of accounts. The policy was surrendered for ₹15,000.

19. Journalise the following transactions 6

(a) Mehar Ltd. issued ₹1,00,000, 12% Debentures of ₹100 each at a premium of 5% redeemable at a premium of 2% .

(b) 12 % Debentures were issued at a discount of 10% to a vendor of machinery for payment of ₹9,00,000.

(c) Issue of 10,000 11% debentures of ₹100 each as collateral in favour of State Bank of India. Company opted to pass necessary entry for issue of debentures.

OR

Faith and Belief Ltd has total redeemable debentures of ₹ 5,00,000. It decides to redeem these debentures in two instalments of ₹ 3,00,000 and ₹ 2,00,000 on December 31st 2018 and March 31st 2020 respectively. Assuming that the Company has sufficient funds in Debenture Redemption Reserve Account, pass necessary journal entries for the year ending March 31st 2020.

20. Given below is the Receipts 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	5,000	By Insurance 2017-2018	2,400

Dinner		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 12% National Saving Certificate	35,000
		By balance c/d	31,400
	1,60,000		1,60,000

Information:

- Subscription include Subscriptions for 2018-2019 ₹1,200.
- Subscription outstanding for current year ₹ 5,000 of which ₹ 1,000 are considered doubtful
- 12% National Saving Certificates were bought on 1st January 2018.
- Salary and rent for the month of March 2018 has not been paid so far.
- One half of 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.

21. P and Q were partners in a firm sharing profits in 3:2 ratio. R was admitted as a new partner for 1/4th 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	70,000	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.

(e) 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.

22. 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 forfeiture 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.

Part B **(Analysis of Financial Statements)**

23. State with reason whether repayment of long-term loan will result in increase, decrease or no change of Debt to Equity Ratio. 1
24. Which ratio measures the velocity of conversion of stock into sales? 1
- (a) Working Capital Turnover Ratio (b) Inventory Turnover Ratio
- (c) Current Ratio (d) Liquid Ratio

25. What will be the Operating Profit Ratio, if Operating Ratio is 87.05%? 1
26. Fill in the blanks: 1
In a firm, share capital is ₹ 3,00,000 and 3,60,000 at the end of two consecutive years. The percentage change is _____.
27. State why creditors are interested in Financial Statement Analysis. 1
28. State whether the payment of cash to creditors will result in inflow, outflow or no flow of cash. 1
29. Cash from operating activities consists of: 1
(a) Operational Net Profit (b) Decrease in Current assets
(c) Increase in Current Liabilities (d) All of the Above
30. (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. 3
(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.

OR

- (a) For the year ended March 31, 2017, Net Profit after tax of KX 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.
- (b) 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?

31. From the following statement of Profit and Loss of SS Ltd. For the year ended 31st March, 2019, Prepare Comparative Statement of Profit and Loss. 4

Statement of Profit and Loss
For the years 2017-18 and 2018-19

Particulars	2017-18	2018-19
Revenue from Operations	25,00,000	40,00,000
Expenses		
(a) Employee Benefit Expenses were 5% of Revenue from Operations		
(b) Other Expenses	5,90,000	6,80,000
Rate of Tax 35%		

OR

Prepare the Common Size Balance sheet of Star Ltd. as on 31.3.2019 from the following information:

Particulars	Note No.	31.03.2019 (₹)
I. Equity and Liabilities		
1. Shareholders' funds		
(a) Share capital		30,00,000
(b) Reserves and Surplus		4,00,000
2. Non-Current Liabilities		
long term borrowings		10,00,000
3. Current Liabilities		
Trade payables		6,00,000
TOTAL		50,00,000
II. ASSETS		

(1) Non-Current Assets		
(a) Fixed Assets		
(i) Tangible assets		30,00,000
(ii) Intangible assets		6,00,000
(2) CURRENT ASSETS		
(a) Inventories		10,00,000
(b) Cash and cash equivalents		4,00,000
TOTAL		50,00,000

32. Following are the Balance sheets of Krishna Ltd as on 31st March 2016 and 2017.

6

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

Notes to Accounts

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