

**INDIAN SCHOOL MUSCAT**  
**CLASS: 12**  
**FIRST PRE – BOARD EXAMINATION**  
**Accountancy (055)**  
**SET - B**

QP.NO.	VALUE POINTS					SPLIT UP MARKS																																																																								
1.	₹ 76,800					1																																																																								
2.	(d) A Liability					1																																																																								
3.	Yes, if partnership deed provides so.					1																																																																								
4.	C's Capital A/c To B's Capital A/c i.e. 1,20,000 x 2/60	Dr.		4,000	4,000	1																																																																								
5.	(c) Current Account of New Partner					1																																																																								
6.	₹ 1,125					1																																																																								
7.	₹ 5,000					1																																																																								
8.	A's old share = 4/7 A's sacrifice = 1/4 of 4/7 = 1/7 C's share = 2/7 B's sacrifice = C's share – A's sacrifice = 2/7 – 1/7 = 1/7 Or B's sacrifice = B's old share – B's new share = 3/7 – 2/7 = 1/7					1																																																																								
9.	6% p.a.					1																																																																								
10.	(d) 30 <sup>th</sup> April, 2019					1																																																																								
11.	Debit					1																																																																								
12.	False					1																																																																								
13.	Consideration other than cash					1																																																																								
14.	<table><tr><th colspan="6">Income and Expenditure Account For the year ended 31<sup>st</sup> March 2018</th></tr><tr><td>Expenditure</td><td>\</td><td>\</td><td>Income</td><td>\</td><td>\</td></tr><tr><td></td><td></td><td></td><td>By Subscription</td><td>1,25,900</td><td></td></tr><tr><td></td><td></td><td></td><td>Less: O/s as on 31.3.2011</td><td>9,750</td><td></td></tr><tr><td></td><td></td><td></td><td>Add: Advance as on 31.3.2011</td><td>4,500</td><td></td></tr><tr><td></td><td></td><td></td><td>Add: O/s as on 31.3.2012</td><td>8,470</td><td></td></tr><tr><td></td><td></td><td></td><td>Less: Advance as on 31.3.2012</td><td>7,640</td><td>1,21,480</td></tr><tr><th colspan="6">Balance Sheet (Extract) as on 31-03-2018</th></tr><tr><td colspan="2">Liabilities</td><td>( ` )</td><td colspan="2">Assets</td><td>( ` )</td></tr><tr><td colspan="2">Subscription received in advance</td><td>7,640</td><td colspan="2">Subscription Outstanding</td><td>8,470</td></tr></table> <p style="text-align: center;">OR</p> <table><tr><th>Basis of distinction</th><th>Income and Expenditure</th><th>Receipt and Payment Account</th></tr><tr><td>Nature</td><td>It is like as profit and loss account, hence is a nominal account.</td><td>It is the summary of the cash book, hence a real account</td></tr><tr><td>Nature of Items</td><td>It records items of Revenue and expense nature only.</td><td>It records receipts and payment of cash and bank</td></tr><tr><td>Period</td><td>Items in Income and Expenditure account relate to the current period.</td><td>Receipts and payments items may relate to preceding and succeeding periods</td></tr></table> <p>(1Mark *3 Points)= 3 Marks</p>					Income and Expenditure Account For the year ended 31 <sup>st</sup> March 2018						Expenditure	\	\	Income	\	\				By Subscription	1,25,900					Less: O/s as on 31.3.2011	9,750					Add: Advance as on 31.3.2011	4,500					Add: O/s as on 31.3.2012	8,470					Less: Advance as on 31.3.2012	7,640	1,21,480	Balance Sheet (Extract) as on 31-03-2018						Liabilities		( ` )	Assets		( ` )	Subscription received in advance		7,640	Subscription Outstanding		8,470	Basis of distinction	Income and Expenditure	Receipt and Payment Account	Nature	It is like as profit and loss account, hence is a nominal account.	It is the summary of the cash book, hence a real account	Nature of Items	It records items of Revenue and expense nature only.	It records receipts and payment of cash and bank	Period	Items in Income and Expenditure account relate to the current period.	Receipts and payments items may relate to preceding and succeeding periods	3
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15.	Balance sheet of XYZ Ltd. as at			4
	Particular	Note No.	₹	
	Equity and Liabilities (1) Shareholders funds Share capital	1	2,79,600	
	Note No 1:			
	1. Share Capital Authorised Share Capital 50,000 Shares of ₹ 10 each		5,00,000	
	Issued Share Capital 30,000 Shares of ₹ 10 each Subscribed Share Capital Subscribed and fully paid 27,800 Shares of ₹10 each Subscribed and not fully paid 2,000 Shares of ₹10 each 2,000 Less: calls in arrears (400)	2,78,000       1600	       2,79,600	

16.	Dr.	Punita Capital A/c		Cr.	4
	Particulars	Amount	Particulars	Amount	
	To P&L A/c	24,000	By balance b/d	1,00,000	
	To Punita’s executor’s A/c (bal. fig)	1,22,880	By Interest on capital	4,880	
			By P&L Suspense A/c	6,000	
			By Rashi’s capital A/c	12,000	
		By Seema’s Capital A/c	24,000		
		1,46,880		1,46,880	

17.	Divisible profit as per Profit and loss Appropriation account = `1,80,000 Deficiency = ₹ 32,000 born by R and S ₹16,000 each.					4
	OR					
	Date	Particulars	LF	Dr.(₹)	Cr.(₹)	
	2019 Apr 1	Meenakshi’s Current A/c Dr. Gauri’s Current A/c Dr. To Kavita’s Current A/c (Adjustment for interest on capital for the year 2017-18 and 2018-19)		960 3840	4800	

18.	Date	Particulars	LF	Dr.(₹)	Cr.(₹)	4
	20XX	Realisation a/c Dr		12,000		
	i)	To Bank			12,000	
	ii)	Realisation a/c Dr		1500		
		To A capital			1500	
	iii)	Cash/Bank a/c Dr		2000		
	To Realisation a/c			2000		
	iv)	Cash/Bank a/c Dr		15,000		
	To Realisation a/c			15,000		

19.	Date	Particulars	LF	Dr.(₹)	Cr.(₹)	6
	a)	Bank A/c Dr.		105000		
		To Deb Application and Allotment A/c			105000	

	(Being the application money received)			
	Debenture Application and Allotment A/c Dr		105,000	
	Loss on Issue of Debenture A/c Dr		2,000	
	To 12% Debenture A/c			100000
	To Security Premium Reserve			5000
	To Premium on Redemption A/c			2000
	(Being 1,000 debentures issued at a premium of 5% and redeemable at 2% premium)			
b)	Vendor A/c Dr		9,00,000	
	Discount on issue of Debenture A/c		1,00,000	
	To 12% Debenture			10,00,000
	(Being Debentures issued to vendors)			
c)	Debenture Suspense A/c Dr		10,00,000	
	To 11% Debenture A/c			10,00,000
	(Being 10,000 11% debentures of ₹ 100 issued as collateral security)			

OR

Date	Particulars	LF	Dr.(₹)	Cr.(₹)
a)	Debenture Redemption Investment A/c Dr To Bank A/c (being specified investments purchased)		30,000	30,000
b)	10% Debenture A/c Dr To Debenture Holder A/c (being debenture due for redemption)		2,00,000	2,00,000
b)	Debenture Holder A/c Dr To Bank A/c (Being payment made to debenture holders)		2,00,000	2,00,000
c)	Debenture Redemption Reserve A/c Dr To General Reserve A/c (Being the transfer of Debenture Redemption Reserve to General Reserve on the redemption of debentures)		50,000	50,000

20.

Income and Expenditure Account for the year ending 31<sup>st</sup> March 2018

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)	71,450	By Entrance Fees 6,000	
		Less :2/3 <sup>rd</sup> capitalized (4,000)	2,000
		By Interest on 12% NSC	1050
	1,19,850		1,19,850

21.

Dr.	Revaluation a/c				Cr.
Particulars	LF	Amt.(₹)	Particulars	LF	Amt.(₹)

8

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	74,000
Q	72,000	Debtors	18,000
R	60,000	Stock	20,000
	2,40,000	Furniture	12,000
	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			
June 30	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

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. To Equity Share First Call Account (First call money received)		9,97,000 3,000	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	15,00,000 50,00,000
	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. To Capital Reserve Account (Gain on re-issue of forfeited shares transferred to capital reserve account)		7,200	7,200

## Part B

## (Analysis of Financial Statements)

23.	Debt to Equity Ratio will decrease because long-term loan will decrease but total equity (shareholders' funds) will remain unchanged.	1
24.	(b) Inventory Turnover Ratio	1
25.	Operating Profit Ratio = $100 - 87.05\% = 12.95\%$ .	1
26.	20% increase	1
27.	Creditors are interested to know short term solvency position of a firm i.e. its ability to meet its short term liabilities so are interested in Financial Statement analysis.	1
28.	Outflow of cash as cash is decreasing.	1
29.	(d) All of the Above	1
30.	(a) Total revenue from operations = ₹ 5,00,000 (2marks) 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	3

Opening inventory = ₹ 1,60,000 .

(b) Current Liabilities = 6,80,000    Inventory =10,54,000    (1 Mark)

OR

(a) Interest Coverage Ratio= Net Profit before Interest and Tax/ Interest on Long Term Debts

Net Profit after Tax = ₹ 6,00,000    Tax Rate = 40 %

Net Profit before tax =  $100 / (100 - \text{Tax}) \times \text{Net Profit after tax} = 100 / 60 \times 6,00,000 = 10,00,000$

Net Profit before Interest & Tax = Net Profit before tax + Interest on Long Term Debts

= 10,00,000 + 4,80,000 = 14,80,000

Interest Coverage Ratio= Net Profit before Interest and Tax / Interest on Long Term Debts

= 14,80,000 / 4,80,000 = 3.08 Times    (1)

Significance of Interest Coverage Ratio: It reveals the number of times Interest on Long Term Debts is covered by the profits available. A higher ratio ensures safety of interest on Long Term Debts.

(1)

(b) The Interest coverage ratio will improve if the company decides to redeem ` 5,00,000 debentures assuming that Net Profit after interest and the tax rate will be same.

(1)

31.

### Statement of Profit and Loss

For the years ended 31<sup>st</sup> March, 2018 and 2019

Particulars	2017-18 ₹	2018-19 ₹	Absolute Change	Change in %
Revenue from Operations	<u>25,00,000</u>	<u>40,00,000</u>	<u>15,00,000</u>	<u>60</u>
Less: Expenses				
(a)Employee Benefit Expenses	1,25,000	2,00,000	75,000	60
(b)Other Expenses				
Total Expense	5,90,000	6,80,000	90,000	15.25
Profit before Tax	<u>7,15,000</u>	<u>8,80,000</u>	<u>1,65,000</u>	<u>23.07</u>
Less : Taxes @ 35%	17,85,000	31,20,000	13,35,000	74.78
Profit after Tax	6,24,750	10,92,000	4,67,250	74.78
	<u>11,60,250</u>	<u>20,28,000</u>	<u>8,67,750</u>	<u>74.78</u>

(2 marks for absolute Change and 2 Marks for Percentage change)

OR

Common Size Balance sheet of Star Ltd. as on 31.3.2019

Particulars	Note No.	31.03.2019 ( ₹ )	%
I. Equity and Liabilities			
1. Shareholders' funds			
(a) Share capital		30,00,000	60
(b) Reserves and Surplus		4,00,000	8
2. Non-Current Liabilities			
long term borrowings		10,00,000	20
3. Current Liabilities			
Trade payables		6,00,000	12
TOTAL		50,00,000	100
II. ASSETS			
(1) Non-Current Assets			

	<table><tr><td>(a) Fixed Assets</td><td></td><td></td><td></td><td></td></tr><tr><td>(i) Tangible assets</td><td></td><td>30,00,000</td><td>60</td><td></td></tr><tr><td>(ii) Intangible assets</td><td></td><td>6,00,000</td><td>12</td><td></td></tr><tr><td>(2) CURRENT ASSETS</td><td></td><td></td><td></td><td></td></tr><tr><td>(a) Inventories</td><td></td><td>10,00,000</td><td>20</td><td></td></tr><tr><td>(b) Cash and cash equivalents</td><td></td><td>4,00,000</td><td>8</td><td></td></tr><tr><td>TOTAL</td><td></td><td>50,00,000</td><td>100</td><td></td></tr></table>	(a) Fixed Assets					(i) Tangible assets		30,00,000	60		(ii) Intangible assets		6,00,000	12		(2) CURRENT ASSETS					(a) Inventories		10,00,000	20		(b) Cash and cash equivalents		4,00,000	8		TOTAL		50,00,000	100																																																																																																						
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32.	<table><tr><td colspan="4">Working Note No:1 Provision for Tax a/c</td></tr><tr><td>Particulars</td><td>Amt(₹)</td><td>Particulars</td><td>Amount (₹))</td></tr><tr><td>To Cash (Tax Paid)</td><td>70,000</td><td>By bal b/d</td><td>60,000</td></tr><tr><td>To Bal c/d</td><td>80,000</td><td>By Provision (made during the year)</td><td>90,000</td></tr><tr><td></td><td>1,50,000</td><td></td><td>1,50,000</td></tr><tr><td colspan="4">Working Note No. 2 Net Profit Before tax</td></tr><tr><td colspan="4">Surplus i.e. Balance in statement of Profit and Loss – 1,00,000</td></tr><tr><td>Add: Provision for Tax</td><td>- 90,000</td><td>1,90,000</td><td></td></tr><tr><td colspan="4">In the books of Krishna Ltd.</td></tr><tr><td colspan="4">Cash Flow Statement For the year ended 31st March 2017</td></tr><tr><td>Particulars</td><td></td><td>₹</td><td>₹</td></tr><tr><td>CASH FLOWS FROM OPERATING ACTIVITIES</td><td></td><td></td><td></td></tr><tr><td>Net profit before tax (Working Note 2)</td><td></td><td></td><td></td></tr><tr><td>Add non operating/non- cash items:</td><td></td><td>1,90,000</td><td></td></tr><tr><td>Depreciation on machinery</td><td></td><td>60,000</td><td></td></tr><tr><td>Goodwill Written off</td><td></td><td>60,000</td><td></td></tr><tr><td>Operating profit before working capital changes</td><td></td><td>3,10,000</td><td></td></tr><tr><td>Add increase in Trade Payables</td><td></td><td>40,000</td><td></td></tr><tr><td>Less Increase in Inventories</td><td></td><td>(50,000)</td><td></td></tr><tr><td>Increase in Trade Receivables</td><td></td><td>(2,00,000)</td><td></td></tr><tr><td>Cash generated from operations</td><td></td><td>1,00,000</td><td></td></tr><tr><td>Income Tax paid</td><td></td><td>(70,000)</td><td></td></tr><tr><td>Cash flow from operating activities</td><td></td><td></td><td>30,000</td></tr><tr><td>CASH FLOWS FROM INVESTING</td><td></td><td></td><td></td></tr><tr><td>Purchase of machinery</td><td></td><td>(760,000)</td><td></td></tr><tr><td>Cash Used in Investing Activities</td><td></td><td></td><td>(7,60,000)</td></tr><tr><td>CASH FLOWS FROM FINANCING ACTIVITIES</td><td></td><td></td><td></td></tr><tr><td>Issue of shares</td><td></td><td>4,00,000</td><td></td></tr><tr><td>Long term borrowings</td><td></td><td>3,60,000</td><td></td></tr><tr><td>Cash flow from financing activities</td><td></td><td></td><td>(7,60,000)</td></tr><tr><td>Net increase in cash and cash equivalents</td><td></td><td></td><td>30,000</td></tr><tr><td>Add opening balance of cash and cash equivalents</td><td></td><td></td><td>60,000</td></tr><tr><td>Closing balance of cash and cash equivalents</td><td></td><td></td><td>90,000</td></tr></table>				Working Note No:1 Provision for Tax a/c				Particulars	Amt(₹)	Particulars	Amount (₹))	To Cash (Tax Paid)	70,000	By bal b/d	60,000	To Bal c/d	80,000	By Provision (made during the year)	90,000		1,50,000		1,50,000	Working Note No. 2 Net Profit Before tax				Surplus i.e. Balance in statement of Profit and Loss – 1,00,000				Add: Provision for Tax	- 90,000	1,90,000		In the books of Krishna Ltd.				Cash Flow Statement For the year ended 31st March 2017				Particulars		₹	₹	CASH FLOWS FROM OPERATING ACTIVITIES				Net profit before tax (Working Note 2)				Add non operating/non- cash items:		1,90,000		Depreciation on machinery		60,000		Goodwill Written off		60,000		Operating profit before working capital changes		3,10,000		Add increase in Trade Payables		40,000		Less Increase in Inventories		(50,000)		Increase in Trade Receivables		(2,00,000)		Cash generated from operations		1,00,000		Income Tax paid		(70,000)		Cash flow from operating activities			30,000	CASH FLOWS FROM INVESTING				Purchase of machinery		(760,000)		Cash Used in Investing Activities			(7,60,000)	CASH FLOWS FROM FINANCING ACTIVITIES				Issue of shares		4,00,000		Long term borrowings		3,60,000		Cash flow from financing activities			(7,60,000)	Net increase in cash and cash equivalents			30,000	Add opening balance of cash and cash equivalents			60,000	Closing balance of cash and cash equivalents			90,000	6
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