

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

QP.NO.	VALUE POINTS					SPLIT UP MARKS																																																																								
1.	If a firm incurs losses during the year there is no profit to be appropriated. At that time Profit and Loss Appropriation Account will not be prepared (and the losses will be distributed through Profit and Loss Account).					1																																																																								
2.	₹ 76,800					1																																																																								
3.	(b) Revenue Receipt					1																																																																								
4.	₹ 1,500					1																																																																								
5.	C's Capital A/c Dr. To B's Capital A/c i.e. 1,80,000 x 2/60			6,000	6,000	1																																																																								
6.	(a) Debited to Revaluation Account					1																																																																								
7.	6% p.a.					1																																																																								
8.	₹ 5,000					1																																																																								
9.	A's old share = 4/7 A's sacrifice = ¼ 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																																																																								
10.	True					1																																																																								
11.	(d) NIL					1																																																																								
12.	Suhana's Capital					1																																																																								
13.	Bonus					1																																																																								
14.	<table><tr><th colspan="6">Income and Expenditure Account For the year ended 31st 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><td>Basis of distinction</td><td>Income and Expenditure</td><td>Receipt and Payment Account</td></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</td><td>Receipts and payments items may relate to preceding and</td></tr></table>					Income and Expenditure Account For the year ended 31 st 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	Receipts and payments items may relate to preceding and	3
Income and Expenditure Account For the year ended 31 st 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	Receipts and payments items may relate to preceding and																																																																												

			the current period.	succeeding periods		
		(1Mark *3 Points)= 3 Marks				
15.	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	
16.		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		<u>5,00,000</u>		
		Issued Share Capital 30,000 Shares of ₹ 10 each		<u>3,00,000</u>		
		Subscribed Share Capital Subscribed and fully paid 27,800 Shares of ₹10 each	2,78,000			
		Subscribed and not fully paid 2,000 Shares of ₹10 each 2,000				
		Less: calls in arrears (400)	1600	2,79,600		
17.	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	1,22,880	By Interest on capital	4,880	
		(bal. fig)		By P&L Suspense A/c	6,000	
				By Rashi's capital A/c	12,000	
				By Seema's Capital A/c	24,000	
			<u>1,46,880</u>		<u>1,46,880</u>	
18.		Date	Particulars	LF	Dr.(₹)	Cr.(₹)
		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.	Income and Expenditure Account for the year ending 31 st March 2018					6

Expenditure	Amt. (₹)	Income	Amt. (₹)
To Salary 22000 Add: Outstanding 2000	24,000	By Subscription 65,400 Less : Recd in Advance 1,200 Add: outstanding 5000 Less doubtful (1000) 4000	68,200
To Rent 4,400 Add: Outstanding 400	4,800	By Donation (½ *20,000)	10,000
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 rd capitalized (4,000)	2,000
		By Interest on 12% NSC	1050
	1,19,850		1,19,850

20.	Date	Particulars	LF	Dr.(₹)	Cr.(₹)	6
	a)	Bank A/c Dr. To Deb Application and Allotment A/c (Being the application money received)		105000	105000	
		Debenture Application and Allotment A/c Dr Loss on Issue of Debenture A/c Dr To 12% Debenture A/c To Security Premium Reserve To Premium on Redemption A/c (Being 1,000 debentures issued at a premium of 5% and redeemable at 2% premium)		105,000 2,000	100000 5000 2000	
	b)	Vendor A/c Dr Discount on issue of Debenture A/c To 12% Debenture (Being Debentures issued to vendors)		9,00,000 1,00,000	10,00,000	
	c)	Debenture Suspense A/c Dr To 11% Debenture A/c (Being 10,000 11% debentures of ₹ 100 issued as collateral security)		10,00,000	10,00,000	

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

21.	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. 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

22.	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	74,000
Q 72,000		Debtors	18,000
R 60,000	2,40,000	Stock	20,000
		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

Part B
(Analysis of Financial Statements)

		1
23.	13.96%	1
24.	Debt to Equity Ratio will decrease as conversion of debentures into preference shares will reduce the long-term debts but increase the equity.	1
25.	(b) Return on Investment	1
26.	No flow of cash because cash includes marketable securities.	1
27.	Trade Unions are interested in better emoluments, bonus, better working condition etc. so are interested in Financial Statement analysis.	1
28.	20% increase	1
29.	(c) Operating Activities	3
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 - Rs. 1,00,000 = ₹ 4,00,000 Cost of Revenue from operations = Opening Inventory + Net Purchases -	4

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 (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 31st 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

6

	II. ASSETS					
	(1) Non-Current Assets					
	(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	
(8 Items *1/2)= 4 Marks						
32.	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		
(18 Items * 1/3) = 6 marks						