INDIAN SCHOOL MUSCAT
ACCOUNTANCY
SAMPLE PAPER -3
UNSOLVED
2018-2019

	General Instructions: 1) **All questions are compulsory.** 2) **Please draw proper columns with pencils.** 3) **The question paper is divided into two parts.** 4) **Do not mix up questions of part A and Part B. It should be attempted separately.**	
	PART A **(Accounting for Partnership Firms and Companies)**	
1	Distinguish between 'Fixed Capital Account' and 'Fluctuating Capital Account' on the basis of credit balance.	1
2	A and B were partners in a firm sharing profits and losses in the ratio of5 : 3. They admitted C as a new partner. The new profit sharing ratiobetween A, B and C was 3 : 2 : 3. A surrendered 1/5th of his share infavour of C. Calculate B's sacrifice.	1
3	P and Q were partners in a firm sharing profits and losses equally.Their fixed capitals were ₹.2,00,000 and ₹.3,00,000 respectively. Thepartnership deed provided for interest on capital @ 12% per annum. Forthe year ended 31st March, 2016, the profits of the firm were distributedwithout providing interest on capital. Pass necessary adjustment entry to rectify the error	1
4	X Ltd. invited applications for issuing 500, 12% debentures of ₹.100 each at a discount of 5%. These debentures were redeemable after three years at par. Applications for 600 debentures were received. Pro-rata allotment was made to all the applicants. Pass necessary journal entries for the issue of debentures assuming that the whole amount was payable with application.	1
5	Define honarium.	1
6	Durga and Naresh were partners in a firm. They wanted to admit fivemore members in the firm. List any two categories of individuals otherthan minors who cannot be admitted by them.	1
7	From the following information find the amount of salaries incurred to be debited to Income and expenditure account. Salaries paid during the year 2012 Rs.25,000 Salaries outstanding at the end of 2011 Rs.2,000 Salaries outstanding at the end of 2012 Rs.3,000 Salaries paid in advance at the end of 2011 Rs.4,500 Salaries paid in advance at the end of 2012 Rs.1,500	3
8	Kavi, Ravi, Kumar and Guru were partners in a firm sharing profits inthe ratio of 3 : 2 : 2 : 1. On 1.2.2017, Guru retired and the new profitsharing ratio decided between Kavi, Ravi and Kumar was 3 : 1 : 1. OnGuru's retirement the goodwill of the firm was valued at ₹.3,60,000.Showing your working	3

	notes clearly, pass necessary journal entry in thebooks of the firm for the treatment of goodwill on Guru's retirement.	
9	Disha Ltd. purchased machinery from Nisha Ltd. and paid to Nisha Ltd.as follows : (i) By issuing 10,000, equity shares of ₹.10 each at a premium of 10%. (ii) By issuing 200, 9% debentures of ₹.100 each at a discount of 10%. (iii) Balance by accepting a bill of exchange of ₹.50,000 payable afterone month. Pass necessary journal entries in the books of Disha Ltd. for the purchase of machinery and making payment to Nisha Ltd.	4
10	Ganesh Ltd. is registered with an authorised capital of ₹.10,00,00,000divided into equity shares of ₹.10 each. Subscribed and fully paid upcapital of the company was ₹.6,00,00,000. For providing employment tothe local youth and for the development of the tribal areas of ArunachalPradesh the company decided to set up a hydro power plant there. Thecompany also decided to open skill development centres in Itanagar,Pasighat and Tawang. To meet its new financial requirements, thecompany decided to issue 1,00,000 equity shares of ₹.10 each and1,00,000, 9% debentures of ₹.100 each. The debentures were redeemableafter five years at par. The issue of shares and debentures was fullysubscribed. A shareholder holding 2,000 shares failed to pay the final callof ₹.2 per share.Show the share capital in the Balance Sheet of the company as per theprovisions of Schedule III of the Companies Act, 2013. Also identify anytwo values that the company wishes to propagate.	4
11	Madhu and Neha were partners in a firm sharing profits and losses inthe ratio of 3:5. Their fixed capitals were ₹.4,00,000 and ₹.6,00,000respectively. On 1.1.2016, Tina was admitted as a new partner for1/4 th share in the profits. Tina acquired her share of profit from Neha. Tinabrought ₹.4,00,000 as her capital which was to be kept fixed like thecapitals of Madhu and Neha. Calculate the goodwill of the firm on Tina's admission and the new profit sharing ratio of Madhu, Neha and Tina.Also, pass necessary journal entry for the treatment of goodwill on Tina'sadmission considering that Tina did not bring her share of goodwillpremium in cash.	4
12	Ashok, Babu and Chetan were partners in a firm sharing profits in theratio of 4 : 3 : 3. The firm closes its books on 31st March every year. On31st December, 2016 Ashok died. The partnership deed provided that onthe death of a partner his executors will be entitled for the following : (i) Balance in his capital account. On 1.4.2016, there was a balance of₹.90,000 in Ashok's Capital Account. (ii) Interest on capital @ 12% per annum. (iii) His share in the profits of the firm in the year of his death will becalculated on the basis of rate of net profit on sales of the previousyear, which was 25%. The sales of the firm till 31st December, 2016were ₹.4,00,000. (iv) His share in the goodwill of the firm. The goodwill of the firm onAshok's death was valued at ₹.4,50,000. The partnership deed also provided for the following deductions from theamount payable to the executor of the deceased partner : (i) His drawings in the year of his death. Ashok's drawings till 31.12.2016 were ₹.15,000. (ii) Interest on drawings @ 12% per annum which was calculated as₹.1,500. The accountant of the firm prepared Ashok's Capital Account to bepresented to the executor of Ashok but in a hurry he left it incomplete.Ashok's Capital Account as prepared by the firm's	4

	accountant is givenbelow :	

Ashok's Capital Account

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2016			2016		
Dec 31	....	15,000	April 1	....	90,000
Dec 31	....	....	Dec 31	....	8,100
Dec 31	....	....	Dec 31	....	40,000
			Dec 31	....	90,000
			Dec 31	....	90,000
		3,18,100			3,18,100

You are required to complete Ashok's Capital Account.

13 A, B, C and D were partners in a firm sharing profits in the ratio of 3 : 2 : 3 : 2. On 1.4.2016, their Balance Sheet was as follows : 4

Balance Sheet of A, B, C and D as on 1.4.2016

Liabilities		Amount ₹	Assets	Amount ₹
Capitals :			Fixed Assets	8,25,000
A	2,00,000		Current Assets	3,00,000
B	2,50,000			
C	2,50,000			
D	3,10,000	10,10,000		
Sundry Creditors		90,000		
Workmen Compensation Reserve		25,000		
		11,25,000		11,25,000

From the above date the partners decided to share the future profits inthe ratio of 4 : 3 : 2 : 1. For this purpose the goodwill of the firm wasvalued at ₹.2,70,000. It was also considered that :

(i) The claim against Workmen Compensation Reserve has been estimated at ₹.30,000 and fixed assets will be depreciated by ₹.25,000.

(ii) Adjust the capitals of the partners according to the new profit sharing ratio by opening Current Accounts of the partners.

	Prepare Revaluation Account, Partners' Capital Account and the BalanceSheet of the reconstituted firm.	
14	From the following Receipts and Payments Account of Sagar Club and additional information, prepare Income and Expenditure Account for the year ended 31st December 2010.	6

Receipts and Payments a/c

For the year ended 31st March , 2010

Receipts	Amount	Payments	Amount
To balance b/d (cash in hand)	9,000	By Honorarium to Doctors	10,000
To Donations	14,000	By Salaries	28,000
To subscription	50,500	By general expenses	2,000
To Interest on 8% investments for the year	8,000	By medicines purchased	30,000
To charity film show	12,000	By medical equipment purchased	10,000
		By charity film show expenses	4,000
		By conveyance expenses	2,500
		By balance c/d	
		Cash in hand	7,000
	93,500		93,500

Additional information:

Particulars	31.03.2009	31.03.2010
Subscription due	800	1,000
Subscription in advance	1,200	600
Stock of medicines	10,000	15,000

15	Pass necessary journal entries on the dissolution of a partnership firm inthe following cases : (i) Dissolution expenses were ₹.800. (ii) Dissolution expenses ₹.800 were paid by Prabhu, a partner. (iii) Geeta, a partner, was appointed to look after the dissolution work, for which she was allowed a remuneration of ₹.10,000. Geeta agreed to bear the dissolution expenses. Actual dissolution expenses ₹.9,500 were paid by Geeta. (iv) Janki, a partner, agreed to look after the dissolution work for a commission of ₹.5,000. Janki agreed to bear the dissolution expenses. Actual dissolution expenses ₹.5,500 were paid by Mohan, another partner, on behalf of Janki. (v) A partner, Kavita, agreed to look after the dissolution process for a commission of ₹.9,000. She also agreed to bear the dissolution expenses. Kavita took over furniture of ₹.9,000 for her commission. Furniture had already been transferred to realization account. (vi) A debtor, Ravinder, for ₹.19,000 agreed to pay the dissolution expenses which were ₹.18,000 in full settlement of his debt.	6
16	C and D are partners in a firm sharing profits in the ratio of 4 : 1. On31.3.2016, their Balance Sheet was as follows :	8

Balance Sheet of C and D as on 31.3.2016

Liabilities	Amount ₹	Assets	Amount ₹
Sundry Creditors	40,000	Cash	24,000
Provision for Bad Debts	4,000	Debtors	36,000
Outstanding Salary	6,000	Stock	40,000
General Reserve	10,000	Furniture	80,000
Capitals :		Plant and Machinery	80,000
C 1,20,000			
D 80,000	2,00,000		
	2,60,000		2,60,000

On the above date, E was admitted for 1/4th share in the profits on thefollowing terms :
(i) E will bring ₹.1,00,000 as his capital and ₹.20,000 for his share of goodwill premium, half of which will be withdrawn by C and D.
(ii) Debtors ₹.2,000 will be written off as bad debts and a provision of 4% will be created on debtors for bad and doubtful debts.
(iii) Stock will be reduced by ₹.2,000, furniture will be depreciated by ₹.4,000 and 10% depreciation will be charged on plant and machinery.
(iv) Investments of ₹.7,000 not shown in the Balance Sheet will be taken into account.
(v) There was an outstanding repairs bill of ₹.2,300 which will be recorded in the books.
Pass necessary journal entries for the above transactions in the books of the firm on E's admission.

OR

Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4 : 3 : 3. On 31.3.2016, their Balance Sheet was as follows :

Balance Sheet of Sameer, Yasmin and Saloni as on 31.3.2016

Liabilities		Amount ₹	Assets		Amount ₹
Creditors		1,10,000	Cash		80,000
General Reserve		60,000	Debtors	90,000	
Capitals :			Less : Provision	10,000	80,000
Sameer	3,00,000		Stock		1,00,000
Yasmin	2,50,000		Machinery		3,00,000
Saloni	1,50,000	7,00,000	Building		2,00,000
			Patents		60,000
			Profit and Loss Account		50,000
		8,70,000			8,70,000

On the above date, Sameer retired and it was agreed that :

(i) Debtors of ₹.4,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) An unrecorded creditor of ₹.20,000 will be recorded.

(iii) Patents will be completely written off and 5% depreciation will becharged on stock, machinery and building.

(iv) Yasmin and Saloni will share future profits in the ratio of 3 : 2.

(v) Goodwill of the firm on Sameer's retirement was valued at₹.5,40,000.

Pass necessary journal entries for the above transactions in the books ofthe firm on Sameer's retirement.

17 VXN Ltd. invited applications for issuing 50,000 equity shares of ₹.10each at a premium of ₹.8 per share. The amount was payable as follows : 8

On Application: ₹.4 per share (including ₹.2 premium)

On Allotment: ₹.6 per share (including ₹.3 premium)

On First Call :₹.5 per share (including ₹.1 premium)

On Second and Final Call : Balance Amount

The issue was fully subscribed. Gopal, a shareholder holding 200 shares, did not pay the allotment money and Madhav, a holder of 400 shares, paid his entire share money along with the allotment money. Gopal's shares were immediately forfeited after allotment. Afterwards, the first call was made. Krishna, a holder of 100 shares, failed to pay the first call money and Girdhar, a holder of 300 shares, paid the second call money also along with the first call. Krishna's shares were forfeited immediately after the first call. Second and final call was made afterwards and was duly received. All the forfeited shares were reissued at ₹.9 per share fully paid up. Pass necessary journal entries for the above transactions in the books of the company.

OR

JJK Ltd. invited applications for issuing 50,000 equity shares of ₹.10 each at par. The amount was

	payable as follows : On Application: ₹.2 per share On Allotment: ₹.4 per share On First and Final Call : Balance Amount The issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows : Category No. of Shares Applied No. of Shares Allotted I 80,000 40,000 II 25,000 10,000 Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment. Deepak, a shareholder belonging to Category I, who had applied for 1,000 shares, failed to pay the allotment money. Raju, a shareholder holding 100 shares, also failed to pay the allotment money. Raju belonged to Category II. Shares of both Deepak and Raju were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The forfeited shares of Deepak and Raju were reissued at ₹.11 per share fully paid up. Pass necessary journal entries for the above transactions in the books of the company.	
	PART B **(Analysis of Financial Statements)**	
18	Normally, what should be the maturity period for a short-term investment from the date of its acquisition to be qualified as cash equivalents ?	
19	State the primary objective of preparing a cash flow statement.	
20	What is meant by 'Analysis of Financial Statements' ? State any two objectives of such an analysis.	
21	The proprietary ratio of M. Ltd. is 0·80 : 1.State with reasons whether the following transactions will increase, decrease or not change the proprietary ratio : (i) Obtained a loan from bank ₹.2,00,000 payable after five years. (ii) Purchased machinery for cash ₹.75,000. (iii) Redeemed 5% redeemable preference shares ₹.1,00,000. (iv) Issued equity shares to the vendors of machinery purchased for ₹.4,00,000.	
22	Financial statements are prepared following the consistent accounting concepts, principles, procedures and also the legal environment in which the business organisations operate. These statements are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a company so that their users can easily understand and use them in their economic decisions in a meaningful way. From the above statement identify any two values that a company should observe while preparing its financial statements. Also, state under which major headings and sub-headings the following items will be presented in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013. (i) Capital Reserve (ii) Calls-in-Advance (iii) Loose Tools (iv) Bank Overdraft	

23 From the following Balance Sheet of SRS Ltd. and the additional information as on 31.3.2016, prepare a Cash Flow Statement :

Balance Sheet of SRS Ltd. as on 31.3.2016

	Particulars	Note No.	31.3.2016 ₹	31.3.2015 ₹
I – Equity and Liabilities :				
1.	**Shareholder's Funds :**			
	(a) Share Capital		4,50,000	3,50,000
	(b) Reserves and Surplus	1	1,25,000	50,000
2.	**Non-Current Liabilities :**			
	Long-term Borrowings	2	2,25,000	1,75,000
3.	**Current Liabilities :**			
	(a) Short-term Borrowings	3	75,000	37,500
	(b) Short-term Provisions	4	1,00,000	62,500
	Total		9,75,000	6,75,000
II – Assets :				
1.	**Non-Current Assets :**			
	(a) Fixed Assets :			
	(i) Tangible	5	7,32,500	4,52,500
	(ii) Intangible	6	50,000	75,000
	(b) Non-Current Investments		75,000	50,000
2.	**Current Assets :**			
	(a) Current Investments		20,000	35,000
	(b) Inventories	7	61,000	36,000
	(c) Cash and Cash Equivalents		36,500	26,500
	Total		9,75,000	6,75,000

Notes to Accounts

Note No.	Particulars	31.3.2016 ₹	31.3.2015 ₹
1.	**Reserves and Surplus**		
	(Surplus i.e., Balance in the Statement of Profit and Loss)	1,25,000	50,000
		1,25,000	50,000
2.	**Long-term Borrowings**		
	12% Debentures	2,25,000	1,75,000
		2,25,000	1,75,000
3.	**Short-term Borrowings**		
	Bank Overdraft	75,000	37,500
		75,000	37,500
4.	**Short-term Provisions**		
	Proposed Dividend	1,00,000	62,500
		1,00,000	62,500
5.	**Tangible Assets**		
	Machinery	8,37,500	5,22,500
	Accumulated Depreciation	(1,05,000)	(70,000)
		7,32,500	4,52,500
6.	**Intangible Assets**		
	Goodwill	50,000	75,000
		50,000	75,000
7.	**Inventories**		
	Stock in Trade	61,000	36,000
		61,000	36,000

Additional Information :

(i) ₹.50,000, 12% debentures were issued on 31.3.2016.

(ii) During the year a piece of machinery costing ₹.40,000, on which accumulated depreciation was ₹.20,000, was sold at a loss of ₹.5,000.