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INDIAN SCHOOL MUSCAT SECOND PRELIMINARY EXAMINATION

SET – I

ACCOUNTANCY

CLASS: XII

Sub. Code: 055

Time Allotted: 3 Hrs.

04.02.2019

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 Organisations, Partnership Firms and Companies.

- 1 Name the asset that is not transferred to the debit side of Realisation Account, but brings certain amount of cash against its disposal at the time of the dissolution of the firm. 1
- 2 Under what circumstances premium for goodwill paid by the incoming partner is not recorded in the books of accounts. 1
- Or**
- Why is General Reserve distributed among the old partners before new partner is admitted?
- 3 How are Not-For-Profit organizations organized? 1
- Or**
- Income and Expenditure Account is prepared on Cash Basis of Accounting. Is the statement correct?
- 4 A and B were partners in a firm sharing profits in the ratio of 2:1. During the year ended 31-3-2018, A had withdrawn ` 50,000. Interest on drawings amounted to `1,500. Pass necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fixed. 1
- 5 At what rate is interest payable on the amount remaining unpaid to the executor of deceased partner? 1
- 6 Differentiate between 'Equity Share' and 'Debenture' on the basis of risk involved. 1
- Or**
- What is meant by 'Employee Stock Option Plan'?

- 7 On April 1, 2018 an existing firm had assets of ` 5,00,000 including cash of ` 25,000. The partner's capital accounts showed a balance of ` 3,50,000 and reserve constituted the rest. If the normal rate of return is 10% and the goodwill of the firm is valued at ` 1,32,000 at 4 year's purchase of super profits, find the average profits of the firm. 3
- 8 Dhariwal Ltd. had issued 40,000, 11% Debentures of ` 100 each of which one-half are due for redemption on March 31st 2015. It was decided to invest the required amount towards Debenture Redemption Investment. The company has in its Debenture Redemption Reserve Account balance of ` 3,10,000. Record the necessary journal entries at the time of Redemption of Debentures. 3
- 9 Venus Ltd took over assets of ` 10,00,000 and liabilities of ` 1,80,000 of Cayns Ltd. for ` 7,60,000. Venus Ltd. issued 9% Debentures of ` 100 each at a discount of 5% in full satisfaction of the purchase consideration in favour of Cayns Ltd. Pass necessary journal entries in the books of Venus Ltd. for the above transactions. 3

Or

Haider 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. Pass necessary journal entries for the above transactions:

- (i). When company decided not to record the issue of 10 % Debentures as collateral security.
- (ii). When company decided to record the issue of 10 % Debentures as collateral security.
- 10 During the year 2017-18 salaries paid amounted to ` 2,40,000. From the following information, show the salaries item in the Income and Expenditure Account for the year ending 31st March, 2018. 3

		`
(i)	Salaries outstanding on 31 st March, 2017	20,000
(ii)	Salaries outstanding on 31 st March, 2018	25,000
(iii)	Salaries paid in advance on 31 st March, 2017	16,000
(iv)	Salaries paid in advance on 31 st March, 2018	12,000

- 11 P, Q and R are sharing profits and losses in the ratio of 5:3:2. They decided to share future profits and losses in the ratio of 2:3:5 with effect from 1st April, 2018. They also decide to record the effect of the following revaluations without affecting the book value of the assets and liabilities by passing a single adjustment entry. 4

	Book Value (`)	Revised Value (`)
Land and Building	5,00,000	5,50,000
Plant and Machinery	2,50,000	2,40,000
Sundry Creditors	60,000	55,000
Outstanding Expenses	60,000	75,000

Pass necessary single adjustment entry.

- 12 A, B and C were partners in a firm sharing profits in 3:2:1 ratio. The firm closes its books on 31st March every year. B died on 12th June, 2011. On B's death the goodwill of the firm was valued at ` 3,00,000. On B's death his share in the profits of the firm till the time of his death was to be calculated on the basis of previous year's profit which was ` 7,50,000. Calculate B's share in the profit of the firm. Pass necessary journal entries for the treatment of goodwill and B's share of profit at the time of his death. 4

- 13 Following is the Receipts and Payments Account of an Entertainment Club for the period of April 1, 2016 to March 31, 2017. 6

Receipts		Payments	
To Balance b/d		By Salaries	1,50,000
Cash at Bank	87,500		
To Subscriptions :		By Foodstuffs for Restaurant	60,000
2015-16 12,500			
2016-17 1,00,000			
2017-18 10,000	1,22,500		
To Sale of Furniture (Book Value ` 8,000)	10,000	By Subscription for Periodicals	14,500
To Sale of Foodstuffs	1,00,000	By Printing and Stationery	13,000
To Sale of Old Periodicals and Newspapers	3,200	By Sports Expenses	50,000
To Hire of Ground used for Marriage	48,750	By 8% Investments (31.3.2017)	1,00,000
To Donation for Sports Fund	25,000	By Balance c/d	26,500
		Cash at Bank	
To Locker Rent	17,050		
	<u>4,14,000</u>		<u>4,14,000</u>

Additional Information:

- (i) Advance Subscription on 31st March, 2016 : ` 7,000
Subscription in arrear on 31st March, 2017 : ` 13,000
- (ii) Locker Rent ` 3,050 was outstanding for the year 2015-16 and ` 1,500 for 2016-17.
- (iii) Opening Stock of Printing and Stationery ` 2,000 and Closing Stock of Printing and Stationery is ` 3,000 for the year 2016-17.
- (iv) On 1st april, 2016 other balances were as under :
- Furniture ` 1,00,000
Sports Fund ` 15,000
- (v) Depreciate Furniture @ 12.5% p.a.
- Prepare Income and Expenditure Account for the year ending 31st March, 2017.

- 14 Girija and Ganesh were partners in a firm sharing profits and losses in the ratio of 2:3. On 31st March, 2017 their Balance Sheet was as follows: 6

Liabilities	Amount	Assets	Amount
Creditors	80,000	Cash at Bank	20,000
Bank Overdraft	50,000	Debtors 55,000	
		Less: Provision for Doubtful Debt 2,000	53,000
Girija's Brother's Loan	77,000	Stock	78,000
Ganesh's loan	28,000	Investments	89,000
Investment Fluctuation Fund	15,000	Buildings	2,50,000
Capitals : Girija 1,50,000		Profit and Loss A/c	10,000
Ganesh 1,00,000	2,50,000		
	<u>5,00,000</u>		<u>5,00,000</u>

On the above date the firm was dissolved. The assets were realized and the liabilities were paid off as follows:

- (a) Debtors of ₹ 6,000 were proved bad.
- (b) Girija agreed to pay off her brother's loan.
- (c) One of the creditors for ₹ 10,000 was paid only ₹ 3,000 in full settlement of his account.
- (d) Buildings were auctioned for ₹ 1,80,000 and the auctioneer's commission amounted to ₹ 8,000.
- (e) Ganesh took over part of stock at ₹ 4,000 (being 20% less than the book value). Balance of the stock was handed over to the remaining creditors in full settlement of their account.
- (f) Investments realized ₹ 9,000 less.
- (g) Realisation expenses amounted to ₹ 17,000 and were paid by Ganesh.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

- 15 A, B and C are partners in a firm. Their Capital Accounts stood at ₹ 8,00,000; 6,00,000 and ₹ 4,00,000 respectively on 1st April, 2016. They shared profits and losses in the ratio of 3:2:1 respectively. Partners are entitled to interest on capital @ 6% per annum and salary to B and C @ ₹ 4,000 per month and ₹ 6,000 per quarter respectively as per the provisions of the Partnership Deed. 6

B's share of profit including interest on capital but excluding salary is guaranteed at a minimum of ₹ 82,000 p.a. Any deficiency arising on that account shall be met by C. Profit for the year ended 31st March, 2017 amounted to ₹ 3,12,000. Prepare Profit and Loss Appropriation Account for the year ended 31st March, 2017.

Or

Anand, Bhuvan and Charan were partners. Their capitals were Anand - ₹ 30,000; Bhuvan - ₹ 20,000 and Charan - ₹ 10,000 respectively. According to the Partnership Deed, they are entitled to an interest on capital at 5% p.a. In addition, Bhuvan was entitled to draw a salary of ₹ 500 per month. Charan was entitled to a commission of 5% on the profits after charging interest on capital, but before charging salary payable to Bhuvan. Net profit for the year ₹ 30,000 was distributed in the ratio of capitals without above appropriations. The profit was to be shared in the ratio 2:2:1.

Pass necessary adjustment entry showing the workings clearly.

- 16 Reliable Ltd. was registered with an authorised capital of ₹ 20,00,000 in ₹ 10 per equity share. It invited applications for issuing 1,00,000 equity shares at a premium of ₹ 2 per share. The amount was payable as follows: 8

On Application ₹ 4 per share (including premium)

On Allotment ₹ 3 per share

Balance on First and Final Call.

Applications were received for 1,30,000 shares. Applications for 10,000 shares were rejected and the application money received on them refunded. Pro-rata allotment was made to the remaining applications. Amount overpaid on these applications was adjusted towards the amount due on allotment. Sameer, who has applied for 1,200 shares, failed to pay the allotment and call money. The company forfeited his shares, out of which 800 shares were reissued to Sanjay at ₹ 9 per share fully paid up.

You are required to pass the journal entries in the books of the company through Calls in Arrear Account.

Or

X Ltd. invited applications for issuing 1,50,000 shares of ` 10 each payable as ` 2 per share on application, ` 3 per share on allotment and the balance on First and Final Call. Applications for 2,80,000 shares were received on which directors allotted the shares as follows:

Applications for 70,000 shares ----- Full

Applications for 2,00,000 shares ----- 80,000

Applications for 10,000 shares ----- Nil

` 1,92,000 was realized on account of allotment money (excluding the amount carried from Application Money) and ` 6,95,000 on account of call. The directors decided to forfeit shares of only those applicants to whom full allotment was made on which allotment money was overdue. The forfeited shares were reissued to Manu for ` 8 per share as fully paid.

Pass Journal Entries in the company's books.

- 17 P, Q and R were partners in a firm sharing profits in the ratio of 7:2:1. On 1st April, 2018 their Balance Sheet was as follows: 8

Balance Sheet of P, Q and R as on 1st April, 2018

Liabilities	Amount	Assets	Amount
Capital A/cs :		Land	12,00,000
P 9,00,000			
Q 8,40,000			
R 9,00,000	26,40,000		
General Reserve	3,60,000	Building	9,00,000
Workmen's Compensation Reserve	5,40,000	Furniture	3,60,000
Creditors	3,60,000	Stock	6,60,000
		Debtors 6,00,000	
		Less: Provision for Doubtful Debts 30,000	5,70,000
		Cash at Bank	2,10,000
	<u>39,00,000</u>		<u>39,00,000</u>

On the above date Q retired. Following was agreed upon

(i) Goodwill of the firm was valued at ` 12,00,000.

(ii) Land was to be appreciated by 30% and Building to be depreciated by ` 3,00,000.

(iii) Value of furniture was to be reduced by ` 60,000.

(iv) Liability of Workmen's Compensation was determined at ` 1,40,000.

(v) Amount payable to Q was transferred to his Loan Account. His loan should be paid after two years with interest due @ 12% p.a.

(vi) Capitals of P and R were to be adjusted in their new profit sharing ratio and for this purpose Current Accounts of the partners will be opened.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

Or

A and B were partners in a firm sharing profits in the ratio of 3:1. They admitted C, an old employee as a partner for 1/4th share in profits. C was to bring ` 60,000 for his capital

but was not in a position to bring amount of goodwill. Balance Sheet of A and B on 1st April, 2018, the date on which C was admitted, was as follows.

Liabilities	Amount	Assets	Amount
Sundry Creditors	70,000	Land and Building	40,000
Workmen Compensation Reserve	40,000	Goodwill	40,000
General Reserve	10,000	Plant and Machinery	70,000
Capital A/cs :		Stock	30,000
A 50,000			
B 80,000	1,30,000		
		Debtors 35,000	
		Less: Provision for Doubtful Debts 1,000	
			34,000
		Investments	26,000
		Cash	10,000
	<u>2,50,000</u>		<u>2,50,000</u>

Other terms agreed upon were :

- (i) Goodwill of the firm was valued at ` 24,000.
 - (ii) Land and Building was valued at ` 65,000 and Plant and Machinery at ` 60,000.
 - (iii) Provision for doubtful debts was found in excess by ` 400.
 - (iv) A liability of ` 1,200 included in sundry creditors was not likely to arise.
 - (v) Capitals of the partners are to be adjusted on the basis of C's contribution of capital to the firm.
 - (vi) Excess or shortfall, if any, to be transferred to Partners' Current Accounts.
- Prepare Revaluation Account, Partners' Capital accounts and the Balance sheet of the new firm.

PART B

Analysis of Financial Statements

- 18 A company sold inventory costing ` 2,00,000 at a loss of ` 10,000. It will result in inflow, outflow or no flow of cash. 1
- 19 'Capital gain tax paid on sale of building by a company' will be shown under which type of activity while preparing the Cash Flow Statement? 1
- 20 How are the following items shown in the Balance Sheet of a company? 4
 - (i) License for Franchise
 - (ii) Accrued Income
 - (iii) Stores and Spares
 - (iv) Mastheads and Publishing Title
 - (v) Bank Overdraft
 - (vi) Unpaid Dividend
- 21 Current Ratio 2.5; Quick Ratio 1.5; Working Capital ` 1,20,000; Gross Profit @ 25% on Revenue from Operations was ` 1,00,000; Inventory Turnover Ratio 3 Times. Calculate Opening Inventory, Current Liabilities, Current Assets and Quick Assets. 4

Or

From the following, calculate Gross Profit Ratio and Working Capital Turnover Ratio.

Particulars	`
Revenue from Operations	30,00,000
Cost of Revenue from Operations	20,00,000
Current Assets	6,00,000

Current Liabilities	2,00,000
Paid-up Share Capital	5,00,000

- 22 From the following information, prepare Comparative Balance Sheet of HMSC Ltd.

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Particulars	31 st March, 2018 (`)	31 st March, 2017 (`)
Shareholders' Funds	44,40,000	24,00,000
Non-Current Liabilities	12,00,000	12,00,000
Current Liabilities	3,60,000	4,00,000
Non-Current Assets	50,40,000	28,00,000
Current Assets	9,60,000	12,00,000

Or

Prepare Common-Size Balance Sheet from the following information:

Particulars	31 st March, 2018 (`)	31 st March, 2017 (`)
Shareholders' Funds	18,00,000	12,00,000
Non-Current Liabilities	6,00,000	6,00,000
Current Liabilities	6,00,000	2,00,000
Non-Current Assets	21,00,000	14,00,000
Current Assets	9,00,000	6,00,000

- 23 Prepare a Cash Flow Statement on the basis of the information given in the Balance Sheet of ABC Ltd. as at 31.03.2016 & 2015.

6

Particulars		31.03.2016	31.03.2015
I. Equity and Liabilities			
1. Shareholders' Funds			
(a) Share Capital		70,000	60,000
(b) Reserves and Surplus		44,000	8,000
2. Non-Current Liabilities			
(a) Long-Term Borrowings		50,000	50,000
3. Current liabilities			
(a) Trade Payables		25,000	9,000
Total		<u>1,89,000</u>	<u>1,27,000</u>
II. Assets			
1. Non-Current Assets			
(a) Fixed assets			
(i) Tangible Assets		98,000	84,000
(b) Non-Current Investments		16,000	6,000
2. Current Assets			
(a) Current Investments		18,000	20,000
(b) Inventories		49,000	12,000
(c) Cash and Bank Balance		8,000	5,000
Total		<u>1,89,000</u>	<u>1,27,000</u>

Notes to Accounts

1. Reserves and Surplus	31.03.2016	31.03.2015
General Reserve	30,000	20,000
Surplus i.e Balance in Statement of Profit and Loss	14,000	(12,000)
	<u>44,000</u>	<u>8,000</u>

Additional Information:

- (i) Depreciation provided on tangible assets (Machinery) during the year ` 8,000.
- (ii) Interest paid on debentures ` 5,000.

End of the Question Paper