



**INDIAN SCHOOL MUSCAT
FINAL EXAMINATION 2022
ACCOUNTANCY (055)**



CLASS : XII
DATE: 23-11-2022

TIME ALLOTTED : 3 HRS.
MAXIMUM MARKS: 80

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Both Part A and Part B are compulsory for all candidates.
4. Question 1 to 16 and 27 to 30 carries 1 mark each.
5. Questions 17 to 20, 31 and 32 carries 3 marks each.
6. Questions from 21, 22 and 33 carries 4 marks each
7. Questions from 23 to 26 and 34 carries 6 marks each
8. There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

PART A (Accounting for Partnership Firms)

1. A, B and C are partners, their partnership deed provides for interest on drawings at 8% per annum. B withdrew a fixed amount in the middle of every month and his interest on drawings amounted to ₹4,800 at the end of the year. What was the amount of his monthly drawings? 1
 (a) ₹10,000 (b) ₹5,000
 (c) ₹1,20,000 (d) ₹48,000

OR

Girdhar, a partner withdrew ₹ 5,000 in the beginning of each quarter and interest on drawings was calculated as ₹ 1,500 at the end of accounting year 31 March 2022. What is the rate of interest on drawings charged?

- (a) 6% p.a.
- (b) 8% p.a.
- (c) 10% p.a.
- (d) 12% p.a.

2. Assertion (A):- Commission provided to partner is shown in Profit and Loss A/c. 1
 Reason (R): - Commission provided to partner is charge against profits and is to be provided at fixed rate.
 (a) (A) is correct but (R) is wrong
 (b) Both (A) and (R) are correct, but (R) is not the correct explanation of (A)
 (c) Both (A) and (R) are incorrect.
 (d) Both (A) and (R) are correct, and (R) is the correct explanation of (A)

OR

Assertion (A): Partners distribute profits and losses in their profit sharing ratio and not in the ratio of their capitals.

Reason (R): The amount of appropriations, as per Partnership Deed are more than the amount of profit available for distribution, profit is distributed in the ratio of appropriations.

In the context of the above two statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A)
- (b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)
- (c) Assertion (A) is correct but the Reason (R) is not correct.
- (d) Assertion (A) is not correct but the Reason (R) is correct.

3. A, B and C were partners in a firm sharing profits and losses in the ratio of 5:3:2. C retired and his capital balance after adjustments regarding reserves, accumulated profits/losses and his share of gain on revaluation was ₹2,50,000. C was paid ₹3,22,000 including his share of goodwill. The amount credited to C's Capital Account on retirement, for goodwill will be 1
- (a) ₹ 72,000
 - (b) ₹ 7,200
 - (c) ₹ 24,000
 - (d) ₹ 36,000

OR

If at the time of retirement, there is some unrecorded asset, it will be ----- to ----- Account.

- (a) Debited, Revaluation
 - (b) Credited, Revaluation
 - (c) Debited, Goodwill
 - (d) Credited, Partners' Capital
4. A firm earns profit of ₹1,10,000. Normal Rate of Return is 10%. Assets of the firm are ₹11,00,000 and Liabilities ₹1,00,000. Value of goodwill by Capitalisation of Average Profit Method is 1
- (a) ₹ 2,00,000
 - (b) ₹ 10,000
 - (c) ₹ 5,000
 - (d) ₹ 1,00,000

5. Due to change in profit sharing ratio, X's sacrifice is 3/10, while Z's gain is 3/10. They decide to record the effect of the following without affecting the book figures, by passing an adjustment entry 1
- | | |
|----------------------------------|----------|
| General Reserve | ₹ 35,000 |
| Profit and Loss (Cr.) | ₹ 15,000 |
| Advertisement Suspense A/c (Dr.) | ₹ 20,000 |
- The necessary adjustment entry will be
- (a) Dr. Z and Cr. X by ₹ 9,000
 - (b) Dr. X and Cr. Y by ₹ 9,000
 - (c) Dr. X and Cr. Y by ₹ 18,000
 - (d) Dr. Y and Cr. X by ₹ 9,000

6. In the Balance Sheet prepared after the new partnership agreement, Assets and Liabilities are usually shown at 1
- (a) Original Value
 - (b) Revalued Value or Amount
 - (c) Realisable Value
 - (d) Current Cost

7. Kalki and Kumud were partners sharing profits and losses in the ratio of 5:3. On 1st April, 2021 they admitted Kaushtubh as a new partner and new ratio was decided as 3:2:1. Goodwill of the firm was valued as ₹3,60,000. Kaushtubh couldn't bring any amount for goodwill. Amount of goodwill share to be credited to Kalki and Kumud Account's will be: - 1
- (a) ₹ 37,500 and ₹ 22,500 respectively
 - (b) ₹ 30,000 and ₹ 30,000 respectively
 - (c) ₹ 36,000 and ₹ 24,000 respectively
 - (d) ₹ 45,000 and ₹ 15,000 respectively

OR

Asha and Nisha are partner's sharing profits in the ratio of 2:1. Kashish was admitted for 1/4 share of which 1/8 was gifted by Asha. The remaining was contributed by Nisha. Goodwill of the firm is valued at ₹ 40,000. How much amount for goodwill will be credited to Nisha's Capital account?

- (a) ₹2,500
- (b) ₹5,000

(c) ₹20,000

(d) ₹ 40,000

8. At the time of admission of a partner, what will be the effect of the following information? 1
Balance in Workmen Compensation Reserve ₹40,000
Claim for Workmen Compensation ₹45,000
(a) ₹45,000 Debited to the Partner's Capital Accounts
(b) ₹40,000 Debited to Revaluation Account
(c) ₹5,000 Debited to Revaluation Account
(d) ₹5,000 Credited to Revaluation Account
9. X, Y and Z are partners sharing profits and losses in the ratio of 5:4:3. Z retired and is credited 1
for ₹ 9,000 as goodwill. The amount debited to 'X' for goodwill will be
(a) ₹ 20,000 (b) ₹ 16,000
(c) ₹ 5,000 (d) ₹ 4,000
10. Amit, Sudhir and Aman were partners sharing profits in the ratio of 3:2:1. Sudhir dies on 30th 1
June, 2020. Journal Entry passed for Sudhir's share of profit from the beginning of the year up
to the date of death will be:
(a) Profit and Loss A/c Dr. (b) Sudhir's Capital A/c Dr.
To Sudhir's Capital A/c To Profit and Loss A/c
(c) Sudhir's Capital A/c Dr. (d) Profit and Loss Suspense A/c Dr.
To Profit and Loss Suspense A/c To Sudhir's Capital A/c
11. At the time of dissolution of a firm, Creditors are ₹70,000; Firm's Capital is ₹1,20,000; Cash 1
Balance is ₹10,000. Other Assets realised ₹1,50,000.
Gain/Loss in the Realisation Account will be:
(a) ₹ 30,000 (Gain) (b) ₹ 40,000 (Gain)
(c) ₹ 40,000 (Loss) (d) ₹ 30,000 (Loss)
12. In case of dissolution of partnership there was no Workmen Compensation Fund and firm had to 1
pay ₹ 3000 as compensation to workers where will this be ₹ 3000 recorded in the books of
accounts?
(a) Debit side of Realisation Account
(b) Credit side of Realisation Account
(c) Debit side of Partners Capital Account
(d) Credit side of Partners Capital Account.

Read the following hypothetical situation, and answer Question No. 13 and 14

On 1st October, 2020, fifty members of a society started the partnership firm in the name of "Be Healthy" for selling masks. All the members have good relations so they do not have any partnership agreement. All of them agreed to invest ₹ 36,000 each as capital. Mohan (a partner) gave a loan of ₹1,00,000 on 1st January, 2021. The net profit for the year ended 31st March, 2021 was ₹2,16,000 before providing any interest.

13. Calculate the amount of profit to be transferred to Profit and Loss Appropriation Account 1
(a) Profit 2,16,000 (b) Profit 2,13,000
(c) Profit 2,14,500 (d) Profit 2,10,500

14. On 1st December, 2020 one of the partner introduced additional capital of ₹50,000 and also advanced a loan of ₹1,00,000 to the firm. Interest received by the partner for the current accounting period will be 1
- (a) ₹ 1,250 (b) ₹ 2,000
(c) ₹ 1,500 (d) ₹ 1,800

15. A, B and C are partners sharing profits and losses in the ratio of 2:2:1. B died, at that time goodwill of the firm was valued at ₹ 30,000. What contribution has to be made by A and C in order to pay B's Executors? 1
- (a) ₹ 20,000 and ₹ 10,000 (b) ₹ 15,000 and ₹ 15,000
(c) ₹ 8,000 and ₹ 4,000 (d) ₹ 6,000 and ₹ 6,000

16. On dissolution of a firm, an unrecorded furniture of ₹ 5,000 was taken by a partner for ₹ 4,300 against payment. Which Account will be credited and by how much amount? 1
- (a) Cash Account by ₹ 4,300 (b) Realisation Account by ₹ 700
(c) Partner's Capital Account by ₹ 5,000 (d) Realisation Account by ₹ 4,300

OR

Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of partnership firm, Rohan's loan to the firm will be

- (a) Credited to Rohan's Capital Account (b) Debited to Realisation Account
(c) Credited to Realisation Account (d) Credited to Bank Account
17. A, B and C are partners sharing profits and losses in the ratio of 5:3:2. They now decide to share future profits and losses equally. Goodwill of the firm is valued at ₹ 90,000. Goodwill is already appearing in the books at ₹ 40,000. Calculate the gain/sacrifice of the partners and pass necessary journal entries to adjust goodwill. 3

OR

Kiran and Sheela shared profits and losses in the ratio of 3:2. With effect from 1st April, 2020, it was decided to share profits equally. Goodwill of the firm was valued at ₹ 75,000.

Pass necessary journal entries for the treatment of goodwill when goodwill is raised and written off.

18. A business earned average profits of ₹6,00,000 during the last few years. The normal rate of profits in similar type of business is 10%. The total value of assets and liabilities of the business were ₹22,00,000 and 5,60,000 respectively. 3
- Calculate value of goodwill of the firm by Super Profit Method if the goodwill is valued at 2½ years' purchase of super profits.

OR

On 1st April, 2020 an existing firm had assets of ₹ 75,000 including cash of ₹ 5,000. The partners' capital accounts showed a balance of ₹ 60,000 and reserves constituted the rest. If the normal rate of return is 20% and the goodwill of the firm is valued at ₹ 24,000 at 4 years' purchase of super profits, find the average profits of the firm.

19. Asin and Shreyas are partners in a firm. They admit Ajay as a new partner with 1/5th share in the profits of the firm. Ajay brings ₹5,00,000 as his share of capital. The value of total assets of the firm was ₹15,00,000 and outside liabilities were valued at ₹5,00,000 on that date. Give the necessary Journal Entry to record goodwill at the time of Ajay's admission. Also show your workings clearly. 3

20. Harihar, Hemang and Harit were partners with fixed capitals of ₹3,00,000, ₹2,00,000 & ₹1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Harit died on 31st May, 2020, whereas the firm closes its books of accounts on 31st March every year. According 3

to their partnership deed, Harit's representatives would be entitled to get share in the interim profits of the firm on the basis of sales.

Sales and profit for the year 2019-20 amounted to ₹8,00,000 and ₹2,40,000 respectively and sales from 1st April, 2020 to 31st May 2020 amounted to ₹ 1,50,000. The rate of profit to sales remained constant during these two years. You are required to:

- Calculate Harit's share in profit.
- Pass journal entry to record Harit's share in profit.

21. 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 2020 and 2021, 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: 4

Year	Ratio
31 March 2020	3:2:1
31 March 2021	5:3:2

You are required to give necessary adjusting entry on April 1, 2021.

22. Dinesh, Alvin and Pramod are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at March 31, 2018 was as follows: - 4

Balance Sheet of Dinesh, Alvin and Pramod As at 31st March, 2018

Liabilities	₹	Assets	₹
Sundry Creditors	50,000	Debtors	15,000
General Reserve	40,000	Fixed Assets	67,000
Bills Payable	10,000	Investments	40,000
Dinesh's Capital	30,000	Stock	25,500
Alvin's Capital	40,000	Cash in Hand	36,000
Pramod's Capital	30,000	Deferred Revenue	14,000
		Expenditure	
		Dinesh's Loan Account	2,500
	2,00,000		2,00,000

Dinesh died on July 1, 2018, The executors of Dinesh are entitled to:-

- His share of goodwill. The total goodwill of the firm valued at ₹50,000.
- His share of profit up to his date of death on the basis of actual sales till date of death. Sales for the year ended March 31, 2018 was ₹12, 00,000 and profit for 4 the same year was ₹2,00,000. Sales shows a growth trend of 20% and percentage of profit earning remains the same.
- Investments were sold at par. Half of the amount due to Dinesh was paid to his executors and for the balance, they accepted a Bills Payable.

Prepare Dinesh's Capital account.

23. A, B and C are partners with a fixed capital of ₹2,00,000, ₹1,50,000 and ₹1,00,000 respectively. They share profits up to ₹ 36,000 in their capital ratio and rest in equal proportion. A advanced ₹50,000 as loan. The partnership deed provided as under: 6

- Interest on capital @ 5% p.a. and Interest on Drawings @ 3%.
 - Drawings of partners were ₹ 20,000 each.
 - B was entitled to rent @ ₹ 1,000 p.m. for providing his premises to the firm.
 - C was entitled to commission of 5% on net profit after charging his commission.
- The net profit before these adjustments for the year was ₹ 99,000 assuming that current account balances of partners were : A ₹ 5,000 (Cr) ; B ₹ 4,000 (Cr) ; C ₹ 3,000 (Dr)
- Prepare Profit and Loss Appropriation Account.

24. Parikshit and Rajnish were partners in a firm sharing profits in the ratio of 3:2. In spite of repeated reminders by the authorities, they kept dumping hazardous material into a nearby river. The court ordered for dissolution of their partnership firm on 31st March, 2022. Parikshit was deputed to realize the assets and to pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm on 31st March, 2022 was as follows:

Balance Sheet
as at 31st March, 2022

Liabilities	₹	Assets	₹
Creditors	80,000	Building	1,20,000
Mrs. Parikshit's Loan	40,000	Investments	30,600
Rajnish's Loan	24,000	Debtors	34,000
Investment Fluctuation Fund	8,000	Less: Provision for Doubtful Debts	4,000
Capital A/cs		Bills Receivable	37,400
Parikshit	42,000	Cash	6,000
Rajnish	42,000	Profit and Loss A/c	8,000
	84,000	Goodwill	4,000
	2,36,000		2,36,000

Following was agreed upon:

- Parikshit agreed to pay his wife's loan.
- Debtors realized ₹ 24,000.
- Building realized ₹1,52,000.
- Creditors were payable after 2 months. They were paid immediately at 10% discount.
- Bills receivable were settled at a loss of ₹ 1,400.
- Realisation expenses amounted to ₹ 2,500.

Prepare Realisation Account.

25. The following is the Balance Sheet of Anu and Bhuvan, who were sharing profits in the ratio of 2/3 and 1/3 as at 31st March, 2021.

Balance Sheet as at 31st March, 2021

Liabilities	₹	Assets	₹
Creditors	65,900	Cash	1,200
Capitals :	30,000	Sundry Debtors	9,700
Anu	20,000	Stock	20,000
Bhuvan		Plant & Machinery	35,000
		Building	50,000
	1,15,900		1,15,900

On 1st April, 2021 they agreed to admit Monika into partnership on the following terms.

- Monika was to be given 1/3 share in profits, and was to bring ₹ 15,000 as capital and ₹ 6,000 as share of goodwill.
- The value of stock and plant & machinery were to be reduced by 10%.
- That a provision of 5% was to be created on doubtful debts.
- That the building account was to be appreciated by 20%.
- Investments worth ₹ 1,400 (not mentioned in the Balance Sheet) were to be taken into account.
- That the amount of goodwill was to be withdrawn by the old partners.

The capital accounts of Anu and Bhuvan 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 and Capital Account of the New Firm.

OR

Anil and Beena were partners in a firm sharing profits in the ratio of 4:3. On 1st April, 2015 they admitted Chahat as a new partner for 1/4th share in profits of the firm. On the date of Chahat's admission, the Balance Sheet of Anil and Beena showed a General Reserve of ₹ 70,000, a debit balance of ₹ 7,000 in the Profit and Loss Account and Investment Fluctuation Fund of ₹ 10,000. The following was agreed upon Chahat's admission.

(a) Chahat will bring ₹ 80,000 as her capital and her share of goodwill premium of ₹ 21,000 in cash.

(b) The market value of investments was ₹ 17,000 less than book value.

(c) New profit sharing ratio was agreed at 2:2:1.

Pass the necessary Journal Entries for the above on Chahat's admission.

26. X, Y and Z were in partnership sharing profits in proportion to their capitals. Their Balance Sheet as on 31st March, 2018 was as follows: 6

Liabilities	₹	Assets	₹
Sundry Creditors	16,600	Cash	15,000
Workmen's Compensation Fund	9,000	Debtors	21,000
General Reserve	6,000	Less: Provision for	
Capitals:		Doubtful Debts	1,400
X	90,000	Stock	19,000
Y	60,000	Machinery	58,000
Z	30,000	Building	1,00,000
	2,11,600		2,11,600

On the above date, Y retired owing to ill health. The following adjustments were agreed upon for calculation of amount due to Y.

(a) Provision for Doubtful Debts to be increased to 10% of Debtors.

(b) Goodwill of the firm be valued at ₹ 36,000 and be adjusted into the Capital Accounts of X and Z, who will share profits in future in the ratio of 3:1.

(c) Included in the value of Sundry Creditors was ₹ 2,500 for an outstanding legal claim, which will not arise.

(d) X and Z also decided that the total capital of the new firm will be ₹1,20,000 in their profit sharing ratio. Actual cash to be brought in or to be paid off as the case may be.

(e) Y to be paid ₹ 9,000 immediately and balance to be transferred to his Loan Account.

Prepare Revaluation Account and Partner's Capital Accounts.

OR

Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4:3:3. On 31st March, 2020, their Balance Sheet was as follows.

Liabilities	₹	Assets	₹
Creditors	1,10,000	Cash	80,000
General Reserve	60,000	Debtors	90,000
Capitals:		Less: Provision	10,000
Sameer	3,00,000	Stock	1,00,000
Yasmin	2,50,000	Machinery	3,00,000
Saloni	1,50,000	Building	2,00,000
	7,00,000	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:

- 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.
- An unrecorded creditor of ₹ 20,000 will be recorded.

- (iii) Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.
- (iv) Yasmin and Saloni will share future profits in the ratio 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 of the firm on Sameer's retirement.

Part B :- (Analysis of Financial Statements)

27. Money received against Share Warrants is shown as 1
- | | |
|--------------------------|---------------------------------|
| (a) Shareholders' Funds | (b) Other Long-term Liabilities |
| (c) Long-term Provisions | (d) Other Current Liabilities |

OR

Which ratio indicates the proportion of assets financed out of shareholders' funds?

- | | |
|------------------------|---------------------------------|
| (a) Debt Equity Ratio. | (b) Fixed Assets Turnover Ratio |
| (c) Proprietary Ratio | (d) Total Assets to Debt Ratio. |
28. Current Ratio of a firm is 2.5:1 and its Current Liabilities are ₹4,00,000. Its Working Capital will be 1
- | | |
|----------------|-----------------|
| (a) ₹ 6,00,000 | (b) ₹ 7,50,000 |
| (c) ₹ 8,00,000 | (d) ₹ 14,00,000 |

29. Purchase of Patents by a Finance Company is classified as: 1
- | | |
|------------------------|------------------------|
| (a) Operating Activity | (b) Investing Activity |
| (c) Financing Activity | (d) Extraordinary Item |

OR

Which of the following will result into flow of cash?

- | | |
|---------------------------------------|---|
| (a) Cash withdrawn from bank ₹ 20,000 | (b) Issued 20,000, 9% Debentures to the vendor of machinery |
| (c) Received ₹ 19,000 from Debtors | (d) Deposited cheques of ₹ 10,000 into bank. |
30. IDFC Bank Ltd. issued 1,00,000, 9% Debentures of ₹100 each for subscription, issue was subscribed. The amount of receipt will be shown as 1
- | | |
|------------------------|------------------------|
| (a) Operating Activity | (b) Investing Activity |
| (c) Financing Activity | (d) General Activity |
31. Classify the following items under Major heads and Sub-head (if any) in the Balance Sheet of a Company as per schedule III of the Companies Act 2013. 3
- (i) Debentures with maturity period in current financial year.
 - (ii) Provident Fund
 - (iii) Intangible Assets under Development
 - (iv) Advances Recoverable in Cash
 - (v) Unclaimed Dividends
 - (vi) Share Option Outstanding Account

32. Aqua Ltd.'s highly competent and efficient staff contribute immensely towards its stellar financial performance, but this fact is completely ignored while carrying out the analysis of financial statements. 3
- Identify the limitation of financial statement analysis highlighted in the above statement and also explain two other shortcomings of financial statement analysis, apart from the one mentioned above.

33. Determine Return on Investment and Net Assets Turnover ratio from the following information:- 4

Profits after Tax were ₹ 6,00,000; Tax rate was 40%; 15% Debentures were of ₹20,00,000; 10% Bank Loan was ₹ 20,00,000; 12% Preference Share Capital ₹ 30,00,000; Equity Share Capital ₹ 40,00,000 ; Reserves and Surplus were ₹ 10,00,000; Sales ₹ 3,75,00,000 and Sales Return ₹ 15,00,000.

OR

Net Credit Revenue from Operations of MS Ltd. during the year were ₹1,80,000. Trade Receivables Turnover is 4 times. Calculate Trade Receivables in the beginning and at the end of the year if closing Trade Receivables are two times in comparison to opening Trade Receivables. Also, calculate Average Collection Period in months.

34. Following are the Balance sheets of Krishna Ltd as on 31st March 2020 and 2021.

6

Particulars	Note No	2020-21 (₹)	2019-20 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Fund			
(a) Share Capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non- current Liabilities			
Long term borrowing		5,00,000	1,40,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	60,000
(b) Short term Provisions	2	80,000	60,000
TOTAL		25,80,000	16,60,000
II. ASSETS			
1. Non – current Assets			
(a) Fixed Assets			
Tangible Assets	3	16,00,000	9,00,000
Intangible Assets	4	1,40,000	2,00,000
2. Current Assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade Receivables		5,00,000	3,00,000
(c) Cash and Cash Equivalents		90,000	60,000
TOTAL		25,80,000	16,60,000

Notes to Accounts

Particulars	2020-21 (₹)	2019-20 (₹)
1. Reserves and Surplus		
Surplus (Balance in Statement of Profit and Loss)	5,00,000	4,00,000
2. Short term provisions		
Provision for Tax	80,000	60,000
3. Tangible Assets		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
4. 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****

ROLL NUMBER				
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SET	B
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- (a) Debited, Revaluation (b) Credited, Revaluation
 (c) Debited, Goodwill (d) Credited, Partners' Capital
2. A, B and C are partners, their partnership deed provides for interest on drawings at 8% per annum. B withdrew a fixed amount in the middle of every month and his interest on drawings amounted to ₹4,800 at the end of the year. What was the amount of his monthly drawings? 1
 (a) ₹10,000 (b) ₹5,000
 (c) ₹1,20,000 (d) ₹48,000

OR

Girdhar, a partner withdrew ₹5,000 in the beginning of each quarter and interest on drawings was calculated as ₹1,500 at the end of accounting year 31 March 2022. What is the rate of interest on drawings charged?

- (a) 6% p.a. (b) 8% p.a.
 (c) 10% p.a. (d) 12% p.a.

3. Assertion (A):- Commission provided to partner is shown in Profit and Loss A/c. 1
Reason (R): - Commission provided to partner is charge against profits and is to be provided at fixed rate.
(a) (A) is correct but (R) is wrong
(b) Both (A) and (R) are correct, but (R) is not the correct explanation of (A)
(c) Both (A) and (R) are incorrect.
(d) Both (A) and (R) are correct, and (R) is the correct explanation of (A)
- OR**
- Assertion (A): Partners distribute profits and losses in their profit sharing ratio and not in the ratio of their capitals.
Reason (R): The amount of appropriations, as per Partnership Deed are more than the amount of profit available for distribution, profit is distributed in the ratio of appropriations.
In the context of the above two statements, which of the following is correct?
(a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A)
(c) Assertion (A) is correct but the Reason (R) is not correct.
(d) Assertion (A) is not correct but the Reason (R) is correct.
4. In the Balance Sheet prepared after the new partnership agreement, Assets and Liabilities are usually shown at 1
(a) Original Value (b) Revalued Value or Amount
(c) Realisable Value (d) Current Cost
5. A firm earns profit of ₹1,10,000. Normal Rate of Return is 10%. Assets of the firm are ₹11,00,000 and Liabilities ₹1,00,000. Value of goodwill by Capitalisation of Average Profit Method is 1
(a) ₹ 2,00,000 (b) ₹ 10,000
(c) ₹ 5,000 (d) ₹ 1,00,000
6. Due to change in profit sharing ratio, X's sacrifice is $\frac{3}{10}$, while Z's gain is $\frac{3}{10}$. They decide to record the effect of the following without affecting the book figures, by passing an adjustment entry 1
General Reserve ₹ 35,000
Profit and Loss (Cr.) ₹ 15,000
Advertisement Suspense A/c (Dr.) ₹ 20,000
The necessary adjustment entry will be
(a) Dr. Z and Cr. X by ₹ 9,000 (b) Dr. X and Cr. Y by ₹ 9,000
(c) Dr. X and Cr. Y by ₹ 18,000 (d) Dr. Y and Cr. X by ₹ 9,000
7. X, Y and Z are partners sharing profits and losses in the ratio of 5:4:3. Z retired and is credited for ₹ 9,000 as goodwill. The amount debited to 'X' for goodwill will be 1
(a) ₹ 20,000 (b) ₹ 16,000
(c) ₹ 5,000 (d) ₹ 4,000
8. Kalki and Kumud were partners sharing profits and losses in the ratio of 5:3. On 1st April, 2021 they admitted Kaushtubh as a new partner and new ratio was decided as 3:2:1. Goodwill of the firm was valued as ₹3,60,000. Kaushtubh couldn't bring any amount for goodwill. Amount of goodwill share to be credited to Kalki and Kumud Account's will be: - 1
(a) ₹ 37,500 and ₹22,500 respectively (b) ₹ 30,000 and ₹30,000 respectively
(c) ₹ 36,000 and ₹24,000 respectively (d) ₹ 45,000 and ₹15,000 respectively

OR

Asha and Nisha are partner's sharing profits in the ratio of 2:1. Kashish was admitted for 1/4 share of which 1/8 was gifted by Asha. The remaining was contributed by Nisha. Goodwill of the firm is valued at ₹ 40,000. How much amount for goodwill will be credited to Nisha's Capital account?

- (a) ₹2,500 (b) ₹5,000
(c) ₹20,000 (d) ₹ 40,000

9. At the time of admission of a partner, what will be the effect of the following information? 1
Balance in Workmen Compensation Reserve ₹40,000
Claim for Workmen Compensation ₹45,000
(a) ₹45,000 Debited to the Partner's Capital Accounts
(b) ₹40,000 Debited to Revaluation Account
(c) ₹5,000 Debited to Revaluation Account
(d) ₹5,000 Credited to Revaluation Account
10. In case of dissolution of partnership there was no Workmen Compensation Fund and firm had to 1
pay ₹ 3000 as compensation to workers where will this be ₹ 3000 recorded in the books of
accounts?
(a) Debit side of Realisation Account
(b) Credit side of Realisation Account
(c) Debit side of Partners Capital Account
(d) Credit side of Partners Capital Account.
11. Amit, Sudhir and Aman were partners sharing profits in the ratio of 3:2:1. Sudhir dies on 30th 1
June, 2020. Journal Entry passed for Sudhir's share of profit from the beginning of the year up
to the date of death will be:
(a) Profit and Loss A/c Dr. (b) Sudhir's Capital A/c Dr.
To Sudhir's Capital A/c To Profit and Loss A/c
(c) Sudhir's Capital A/c Dr. (d) Profit and Loss Suspense A/c Dr.
To Profit and Loss Suspense A/c To Sudhir's Capital A/c
12. At the time of dissolution of a firm, Creditors are ₹70,000; Firm's Capital is ₹1,20,000; Cash 1
Balance is ₹10,000. Other Assets realised ₹1,50,000.
Gain/Loss in the realisation account will be:
(a) ₹ 30,000 (Gain) (b) ₹ 40,000 (Gain)
(c) ₹ 40,000 (Loss) (d) ₹ 30,000 (Loss)

Read the following hypothetical situation, and answer Question No. 13 and 14

On 1st October, 2020, fifty members of a society started the partnership firm in the name of "Be Healthy" for selling masks. All the members have good relations so they do not have any partnership agreement. All of them agreed to invest ₹ 36,000 each as capital. Mohan (a partner) gave a loan of ₹1,00,000 on 1st January, 2021. The net profit for the year ended 31st March, 2021 was ₹2,16,000 before providing any interest.

13. Calculate the amount of profit to be transferred to Profit and Loss Appropriation Account 1
(a) Profit 2,16,000 (b) Profit 2,13,000
(c) Profit 2,14,500 (d) Profit 2,10,500

14. On 1st December, 2020 one of the partner introduced additional capital of 50,000 and also advanced a loan of 1,00,000 to the firm. Interest received by the partner for the current accounting period will be 1
- (a) ₹ 1,250 (b) ₹ 2,000
(c) ₹ 1,500 (d) ₹ 1,800

15. X, Y and Z are partners sharing profits and losses in the ratio of 2:2:1. Y died, at that time goodwill of the firm was valued at ₹ 60,000. What contribution has to be made by X and Z in order to pay Y's Executors? 1
- (a) ₹ 40,000 and ₹ 20,000 (b) ₹ 30,000 and ₹ 30,000
(c) ₹ 12,000 and ₹ 12,000 (d) ₹ 16,000 and ₹ 8,000

16. On dissolution of a firm, an unrecorded furniture of ₹ 5,000 was taken by a partner for ₹ 4,300 against payment. Which Account will be credited and by how much amount? 1
- (a) Cash Account by ₹ 4,300 (b) Realisation Account by ₹ 700
(c) Partner's Capital Account by ₹ 5,000 (d) Realisation Account by ₹ 4,300

OR

Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of partnership firm, Rohan's loan to the firm will be

- (a) Credited to Rohan's Capital Account (b) Debited to Realisation Account
(c) Credited to Realisation Account (d) Credited to Bank Account
17. P, Q and R are partners sharing profits and losses in the ratio of 5:3:2. They now decide to share future profits and losses equally. Goodwill of the firm is valued at ₹1,80,000. Goodwill is already appearing in the books at ₹ 80,000. Calculate the gain/sacrifice of the partners and pass necessary journal entries to adjust goodwill. 3

OR

Kiran and Sheela shared profits and losses in the ratio of 3:2. With effect from 1st April, 2020, it was decided to share profits equally. Goodwill of the firm was valued at ₹ 75,000.

Pass necessary journal entries for the treatment of goodwill when goodwill is raised and written off.

18. Harihar, Hemang and Harit were partners with fixed capitals of ₹3,00,000, ₹2,00,000 & ₹1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Harit died on 31st May, 2020, whereas the firm closes its books of accounts on 31st March every year. According to their partnership deed, Harit's representatives would be entitled to get share in the interim profits of the firm on the basis of sales. 3

Sales and profit for the year 2019-20 amounted to ₹8,00,000 and ₹2,40,000 respectively and sales from 1st April, 2020 to 31st May 2020 amounted to ₹1,50,000. The rate of profit to sales remained constant during these two years. You are required to:

- (i) Calculate Harit's share in profit.
(ii) Pass journal entry to record Harit's share in profit.
19. Ashi and Shama are partners in a firm. They admit Amar as a new partner with 1/5th share in the profits of the firm. Amar brings ₹10,00,000 as his share of capital. The value of total assets of the firm was ₹30,00,000 and outside liabilities were valued at ₹10,00,000 on that date. Give the necessary Journal Entry to record goodwill at the time of Ajay's admission. Also show your workings clearly. 3

20. A business earned average profits of ₹6,00,000 during the last few years. The normal rate of profits in similar type of business is 10%. The total value of assets and liabilities of the business were ₹22,00,000 and 5,60,000 respectively. Calculate value of goodwill of the firm by Super Profit Method if the goodwill is valued at 2½ years' purchase of super profits. 3

OR

On 1st April, 2020 an existing firm had assets of ₹ 75,000 including cash of ₹ 5,000. The partners' capital accounts showed a balance of ₹ 60,000 and reserves constituted the rest. If the normal rate of return is 20% and the goodwill of the firm is valued at ₹ 24,000 at 4 years' purchase of super profits, find the average profits of the firm.

21. Dinesh, Alvin and Pramod are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at March 31, 2018 was as follows: - 4

Balance Sheet of Dinesh, Alvin and Pramod As at 31st March, 2018

Liabilities	₹	Assets	₹
Sundry Creditors	50,000	Debtors	15,000
General Reserve	40,000	Fixed Assets	67,000
Bills Payable	10,000	Investments	40,000
Dinesh's Capital	30,000	Stock	25,500
Alvin's Capital	40,000	Cash in Hand	36,000
Pramod's Capital	30,000	Deferred Revenue	14,000
		Expenditure	
		Dinesh's Loan Account	2,500
	2,00,000		2,00,000

Dinesh died on July 1, 2018, The executors of Dinesh are entitled to:-

- His share of goodwill. The total goodwill of the firm valued at ₹50,000.
- His share of profit up to his date of death on the basis of actual sales till date of death. Sales for the year ended March 31, 2018 was ₹12, 00,000 and profit for 4 the same year was ₹2,00,000. Sales shows a growth trend of 20% and percentage of profit earning remains the same.
- Investments were sold at par. Half of the amount due to Dinesh was paid to his executors and for the balance, they accepted a Bills Payable.

Prepare Dinesh's Capital account.

22. 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 2020 and 2021, 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: 4

Year	Ratio
31 March 2020	3:2:1
31 March 2021	5:3:2

You are required to give necessary adjusting entry on April 1, 2021.

23. The following is the Balance Sheet of Anu and Bhuvan, who were sharing profits in the ratio of 2/3 and 1/3 as at 31st March, 2021. 6

Balance Sheet as at 31st March, 2021

Liabilities	₹	Assets	₹
Creditors	65,900	Cash	1,200
Capitals :	30,000	Sundry Debtors	9,700
Anu	20,000	Stock	20,000
Bhuvan		Plant & Machinery	35,000
		Building	50,000
	1,15,900		1,15,900

On 1st April, 2021 they agreed to admit Monika into partnership on the following terms.

- Monika was to be given 1/3 share in profits, and was to bring ₹15,000 as capital and ₹6,000 as share of goodwill.
- The value of stock and plant & machinery were to be reduced by 10%.
- That a provision of 5% was to be created on doubtful debts.
- That the building account was to be appreciated by 20%.
- Investments worth ₹1,400 (not mentioned in the Balance Sheet) were to be taken into account.
- That the amount of goodwill was to be withdrawn by the old partners.

The capital accounts of Anu and Bhuvan 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 and Capital Account of the New Firm.

OR

Anil and Beena were partners in a firm sharing profits in the ratio of 4:3. On 1st April, 2015 they admitted Chahat as a new partner for 1/4th share in profits of the firm. On the date of Chahat's admission, the Balance Sheet of Anil and Beena showed a General Reserve of ₹ 70,000, a debit balance of ₹ 7,000 in the Profit and Loss Account and Investment Fluctuation Fund of ₹ 10,000. The following was agreed upon Chahat's admission.

- Chahat will bring ₹80,000 as her capital and her share of goodwill premium of ₹21,000 in cash.
- The market value of investments was ₹17,000 less than book value.
- New profit sharing ratio was agreed at 2:2:1.

Pass the necessary Journal Entries for the above on Chahat's admission.

24. X, Y and Z were in partnership sharing profits in proportion to their capitals. Their Balance Sheet as on 31st March, 2018 was as follows:

Liabilities	₹	Assets	₹
Sundry Creditors	16,600	Cash	15,000
Workmen's Compensation Fund	9,000	Debtors	21,000
General Reserve	6,000	Less: Provision for	
Capitals:		Doubtful Debts	1,400
X	90,000	Stock	19,600
Y	60,000	Machinery	58,000
Z	30,000	Building	1,00,000
	2,11,600		2,11,600

On the above date, Y retired owing to ill health. The following adjustments were agreed upon for calculation of amount due to Y.

- Provision for Doubtful Debts to be increased to 10% of Debtors.
- Goodwill of the firm be valued at ₹ 36,000 and be adjusted into the Capital Accounts of X and Z, who will share profits in future in the ratio of 3:1.

(c) Included in the value of Sundry Creditors was ₹ 2,500 for an outstanding legal claim, which will not arise.

(d) X and Z also decided that the total capital of the new firm will be ₹1,20,000 in their profit sharing ratio. Actual cash to be brought in or to be paid off as the case may be.

(e) Y to be paid ₹ 9,000 immediately and balance to be transferred to his Loan Account.

Prepare Revaluation Account and Partner's Capital Accounts.

OR

Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4:3:3. On 31st March, 2020, their Balance Sheet was as follows.

Liabilities	₹	Assets	₹
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:

- 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.
- An unrecorded creditor of ₹ 20,000 will be recorded.
- Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.
- Yasmin and Saloni will share future profits in the ratio 3:2.
- 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 of the firm on Sameer's retirement.

25. A, B and C are partners with a fixed capital of ₹2,00,000, ₹1,50,000 and ₹1,00,000 respectively. 6

They share profits up to ₹ 36,000 in their capital ratio and rest in equal proportion. A advanced ₹50,000 as loan. The partnership deed provided as under:

- Interest on capital @ 5% p.a. and Interest on Drawings @ 3%.
- Drawings of partners were ₹ 20,000 each.
- B was entitled to rent @ ₹ 1,000 p.m. for providing his premises to the firm.
- C was entitled to commission of 5% on net profit after charging his commission.

The net profit before these adjustments for the year was ₹ 99,000 assuming that current account balances of partners were : A ₹ 5,000 (Cr) ; B ₹ 4,000 (Cr) ; C ₹ 3,000 (Dr)

Prepare Profit and Loss Appropriation Account.

26. Parikshit and Rajnish were partners in a firm sharing profits in the ratio of 3:2. In spite of repeated 6

reminders by the authorities, they kept dumping hazardous material into a nearby river. The court ordered for dissolution of their partnership firm on 31st March, 2022. Parikshit was deputed to realize the assets and to pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm on 31st March, 2022 was as follows:

Balance Sheet
as at 31st March, 2022

Liabilities	₹	Assets	₹
Creditors	80,000	Building	1,20,000
Mrs. Parikshit's Loan	40,000	Investments	30,600
Rajnish's Loan	24,000	Debtors	34,000
Investment Fluctuation Fund	8,000	Less: Provision for	
Capital A/cs		Doubtful Debts	4,000
Parikshit	42,000	Bills Receivable	37,400
Rajnish	42,000	Cash	6,000
	84,000	Profit and Loss A/c	8,000
		Goodwill	4,000
	2,36,000		2,36,000

Following was agreed upon:

- Parikshit agreed to pay his wife's loan.
- Debtors realized ₹ 24,000.
- Building realized ₹1,52,000.
- Creditors were payable after 2 months. They were paid immediately at 10% discount.
- Bills receivable were settled at a loss of ₹ 1,400.
- Realisation expenses amounted to ₹ 2,500.

Prepare Realisation Account.

Part B :- (Analysis of Financial Statements)

27. IDFC Bank Ltd. issued 1,00,000, 9% Debentures of ₹100 each for subscription, issue was subscribed. The amount of receipt will be shown as 1
- Operating Activity
 - Investing Activity
 - Financing Activity
 - General Activity

28. Money received against Share Warrants is shown as 1
- Shareholders' Funds
 - Other Long-term Liabilities
 - Long-term Provisions
 - Other Current Liabilities

OR

Which ratio indicates the proportion of assets financed out of shareholders' funds?

- Debt Equity Ratio.
 - Fixed Assets Turnover Ratio
 - Proprietary Ratio
 - Total Assets to Debt Ratio.
29. Current Ratio of a firm is 2.5:1 and its Current Liabilities are ₹4,00,000. Its Working Capital will be 1
- ₹ 6,00,000
 - ₹ 7,50,000
 - ₹ 8,00,000
 - ₹ 14,00,000

30. Purchase of Patents by a Finance Company is classified as: 1
- Operating Activity
 - Investing Activity
 - Financing Activity
 - Extraordinary Item

OR

Which of the following will result into flow of cash?

- Cash withdrawn from bank ₹ 20,000
- Issued 20,000, 9% Debentures to the vendor of machinery
- Received ₹ 19,000 from Debtors
- Deposited cheques of ₹ 10,000 into bank.

31. Classify the following items under Major heads and Sub-head (if any) in the Balance Sheet of a Company as per schedule III of the Companies Act 2013. 3
- Matured Debentures
 - Prepaid Insurance
 - Provision for Employees Benefits
 - Stores and Spares
 - Investments
 - Capital Work-in-Progress
32. The accountant of Moonlight Ltd. has to make a choice out of alternatives available for inventory valuation and the subjectivity is inherent in his personal judgement. 3
- Identify the limitation of financial statement analysis highlighted in the above statement and also explain two other shortcomings of financial statement analysis, apart from the one mentioned above.
33. Determine Return on Investment and Net Assets Turnover ratio from the following information:- 4
- Profits after Tax were ₹ 6,00,000; Tax rate was 40%; 15% Debentures were of ₹20,00,000; 10% Bank Loan was ₹ 20,00,000; 12% Preference Share Capital ₹ 30,00,000; Equity Share Capital ₹ 40,00,000 ; Reserves and Surplus were ₹ 10,00,000; Sales ₹ 3,75,00,000 and Sales Return ₹ 15,00,000.

OR

Net Credit Revenue from Operations of MS Ltd. during the year were ₹1,80,000. Trade Receivables Turnover is 4 times. Calculate Trade Receivables in the beginning and at the end of the year if closing Trade Receivables are two times in comparison to opening Trade Receivables. Also, calculate Average Collection Period in months.

34. Following are the Balance sheets of Krishna Ltd as on 31st March 2020 and 2021. 6

Particulars	Note No	2020-21 (₹)	2019-20 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Fund			
(a) Share Capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non- current Liabilities			
Long term borrowing		5,00,000	1,40,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	60,000
(b) Short term Provisions	2	80,000	60,000
TOTAL		25,80,000	16,60,000
II. ASSETS			
1. Non – current Assets			
(a) Fixed Assets			
Tangible Assets	3	16,00,000	9,00,000
Intangible Assets	4	1,40,000	2,00,000
2. Current Assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade Receivables		5,00,000	3,00,000
(c) Cash and Cash Equivalents		90,000	60,000
TOTAL		25,80,000	16,60,000

Notes to Accounts

Particulars	2020-21 (₹)	2019-20 (₹)
1. Reserves and Surplus		
Surplus (Balance in Statement of Profit and Loss)	5,00,000	4,00,000
2. Short term provisions		
Provision for Tax	80,000	60,000
3. Tangible Assets		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
4. 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******

ROLL NUMBER				
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SET	C
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**INDIAN SCHOOL MUSCAT
FINAL EXAMINATION 2022
ACCOUNTANCY (055)**



CLASS : XII
DATE: 23-11-2022

TIME ALLOTTED : 3 HRS.
MAXIMUM MARKS: 80

GENERAL INSTRUCTIONS:

1. This question paper contains 34 questions. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Both Part A and Part B are compulsory for all candidates.
4. Question 1 to 16 and 27 to 30 carries 1 mark each.
5. Questions 17 to 20, 31 and 32 carries 3 marks each.
6. Questions from 21, 22 and 33 carries 4 marks each
7. Questions from 23 to 26 and 34 carries 6 marks each
8. There is no overall choice. However, an internal choice has been provided in 7 questions of one mark, 2 questions of three marks, 1 question of four marks and 2 questions of six marks.

PART A (Accounting for Partnership Firms)

1. Assertion (A):- Commission provided to partner is shown in Profit and Loss A/c. 1
Reason (R): - Commission provided to partner is charge against profits and is to be provided at fixed rate.
 (a) (A) is correct but (R) is wrong
 (b) Both (A) and (R) are correct, but (R) is not the correct explanation of (A)
 (c) Both (A) and (R) are incorrect.
 (d) Both (A) and (R) are correct, and (R) is the correct explanation of (A)

OR

Assertion (A): Partners distribute profits and losses in their profit sharing ratio and not in the ratio of their capitals.

Reason (R): The amount of appropriations, as per Partnership Deed are more than the amount of profit available for distribution, profit is distributed in the ratio of appropriations.

In the context of the above two statements, which of the following is correct?

- (a) Assertion (A) and Reason (R) are correct but the Reason (R) is not the correct explanation of Assertion (A)
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 - (c) Assertion (A) is correct but the Reason (R) is not correct.
 - (d) Assertion (A) is not correct but the Reason (R) is correct.
2. A, B and C were partners in a firm sharing profits and losses in the ratio of 5:3:2. C retired and his capital balance after adjustments regarding reserves, accumulated profits/losses and his share of gain on revaluation was ₹2,50,000. C was paid ₹3,22,000 including his share of goodwill. The amount credited to C's Capital Account on retirement, for goodwill will be 1

- (a) ₹ 72,000
(c) ₹ 24,000

- (b) ₹ 7,200
(d) ₹ 36,000

OR

If at the time of retirement, there is some unrecorded asset, it will be ----- to ----- Account.

- (a) Debited, Revaluation
(c) Debited, Goodwill

- (b) Credited, Revaluation
(d) Credited, Partners' Capital

3. A, B and C are partners, their partnership deed provides for interest on drawings at 8% per annum. B withdrew a fixed amount in the middle of every month and his interest on drawings amounted to ₹4,800 at the end of the year. What was the amount of his monthly drawings? 1
- (a) ₹10,000
(c) ₹1,20,000
- (b) ₹5,000
(d) ₹48,000

OR

Girdhar, a partner withdrew ₹5,000 in the beginning of each quarter and interest on drawings was calculated as ₹1,500 at the end of accounting year 31 March 2022. What is the rate of interest on drawings charged?

- (a) 6% p.a.
(c) 10% p.a.
- (b) 8% p.a.
(d) 12% p.a.

4. Due to change in profit sharing ratio, X's sacrifice is 3/10, while Z's gain is 3/10. They decide to record the effect of the following without affecting the book figures, by passing an adjustment entry 1
- General Reserve ₹ 35,000
Profit and Loss (Cr.) ₹ 15,000
Advertisement Suspense A/c (Dr.) ₹ 20,000
- The necessary adjustment entry will be
- (a) Dr. Z and Cr. X by ₹ 9,000
(c) Dr. X and Cr. Y by ₹ 18,000
- (b) Dr. X and Cr. Y by ₹ 9,000
(d) Dr. Y and Cr. X by ₹ 9,000

5. In the Balance Sheet prepared after the new partnership agreement, Assets and Liabilities are usually shown at 1
- (a) Original Value
(c) Realisable Value
- (b) Revalued Value or Amount
(d) Current Cost
6. A firm earns profit of ₹1,10,000. Normal Rate of Return is 10%. Assets of the firm are ₹11,00,000 and Liabilities ₹1,00,000. Value of goodwill by Capitalisation of Average Profit Method is 1
- (a) ₹ 2,00,000
(c) ₹ 5,000
- (b) ₹ 10,000
(d) ₹ 1,00,000

7. At the time of admission of a partner, what will be the effect of the following information? 1
- Balance in Workmen Compensation Reserve ₹40,000
Claim for Workmen Compensation ₹45,000
- (a) ₹45,000 Debited to the Partner's Capital Accounts
(b) ₹40,000 Debited to Revaluation Account
(c) ₹5,000 Debited to Revaluation Account
(d) ₹5,000 Credited to Revaluation Account

8. X, Y and Z are partners sharing profits and losses in the ratio of 5:4:3. Z retired and is credited for ₹ 9,000 as goodwill. The amount debited to 'X' for goodwill will be 1

- (a) ₹ 20,000
(c) ₹ 5,000

- (b) ₹ 16,000
(d) ₹ 4,000

9. Kalki and Kumud were partners sharing profits and losses in the ratio of 5:3. On 1st April, 2021 they admitted Kaushtubh as a new partner and new ratio was decided as 3:2:1. Goodwill of the firm was valued as ₹3,60,000. Kaushtubh couldn't bring any amount for goodwill. Amount of goodwill share to be credited to Kalki and Kumud Account's will be: - 1
- (a) ₹ 37,500 and ₹22,500 respectively (b) ₹ 30,000 and ₹30,000 respectively
(c) ₹ 36,000 and ₹24,000 respectively (d) ₹ 45,000 and ₹15,000 respectively

OR

Asha and Nisha are partner's sharing profits in the ratio of 2:1. Kashish was admitted for 1/4 share of which 1/8 was gifted by Asha. The remaining was contributed by Nisha. Goodwill of the firm is valued at ₹ 40,000. How much amount for goodwill will be credited to Nisha's Capital account?

- (a) ₹2,500 (b) ₹5,000
(c) ₹20,000 (d) ₹ 40,000

10. At the time of dissolution of a firm, Creditors are ₹70,000; Firm's Capital is ₹1,20,000; Cash Balance is ₹10,000. Other Assets realised ₹1,50,000. 1
- Gain/Loss in the realisation account will be:
- (a) ₹ 30,000 (Gain) (b) ₹ 40,000 (Gain)
(c) ₹ 40,000 (Loss) (d) ₹ 30,000 (Loss)

11. In case of dissolution of partnership there was no Workmen Compensation Fund and firm had to pay ₹ 3000 as compensation to workers where will this be ₹3000 recorded in the books of accounts? 1
- (a) Debit side of Realisation Account
(b) Credit side of Realisation Account
(c) Debit side of Partners Capital Account
(d) Credit side of Partners Capital Account.

12. Amit, Sudhir and Aman were partners sharing profits in the ratio of 3:2:1. Sudhir dies on 30th June, 2020. Journal Entry passed for Sudhir's share of profit from the beginning of the year up to the date of death will be: 1
- (a) Profit and Loss A/c Dr. (b) Sudhir's Capital A/c Dr.
To Sudhir's Capital A/c To Profit and Loss A/c
- (c) Sudhir's Capital A/c Dr. (d) Profit and Loss Suspense A/c Dr.
To Profit and Loss Suspense A/c To Sudhir's Capital A/c

Read the following hypothetical situation, and answer Question No. 13 and 14 1

On 1st October, 2020, fifty members of a society started the partnership firm in the name of "Be Healthy" for selling masks. All the members have good relations so they do not have any partnership agreement. All of them agreed to invest ₹ 36,000 each as capital. Mohan (a partner) gave a loan of ₹1,00,000 on 1st January, 2021. The net profit for the year ended 31st March, 2021 was ₹2,16,000 before providing any interest.

13. Calculate the amount of profit to be transferred to Profit and Loss Appropriation Account
- (a) Profit 2,16,000 (b) Profit 2,13,000
(c) Profit 2,14,500 (d) Profit 2,10,500

14. On 1st December, 2020 one of the partner introduced additional capital of 50,000 and also advanced a loan of 1,00,000 to the firm. Interest received by the partner for the current accounting period will be 1
- (a) ₹ 1,250 (b) ₹ 2,000
(c) ₹ 1,500 (d) ₹ 1,800

15. P, Q and R are partners sharing profits and losses in the ratio of 2:2:1. Q died, at that time goodwill of the firm was valued at ₹ 90,000. What contribution has to be made by P and R in order to pay Q's Executors? 1
- (a) ₹ 24,000 and ₹ 12,000 (b) ₹ 45,000 and ₹ 45,000
(c) ₹ 60,000 and ₹ 30,000 (d) ₹ 18,000 and ₹ 18,000

16. On dissolution of a firm, an unrecorded furniture of ₹ 5,000 was taken by a partner for ₹ 4,300 against payment. Which Account will be credited and by how much amount? 1
- (a) Cash Account by ₹ 4,300 (b) Realisation Account by ₹ 700
(c) Partner's Capital Account by ₹ 5,000 (d) Realisation Account by ₹ 4,300

OR

Rohan, Mohan and Sohan were partners sharing profits equally. At the time of dissolution of partnership firm, Rohan's loan to the firm will be

- (a) Credited to Rohan's Capital Account (b) Debited to Realisation Account
(c) Credited to Realisation Account (d) Credited to Bank Account

17. X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2. They now decide to share future profits and losses equally. Goodwill of the firm is valued at ₹2,70,000. Goodwill is already appearing in the books at ₹1,20,000. Calculate the gain/sacrifice of the partners and pass necessary journal entries to adjust goodwill. 3

OR

Kiran and Sheela shared profits and losses in the ratio of 3:2. With effect from 1st April, 2020, it was decided to share profits equally. Goodwill of the firm was valued at ₹ 75,000.

Pass necessary journal entries for the treatment of goodwill when goodwill is raised and written off.

18. A business earned average profits of ₹6,00,000 during the last few years. The normal rate of profits in similar type of business is 10%. The total value of assets and liabilities of the business were ₹22,00,000 and 5,60,000 respectively. 3
- Calculate value of goodwill of the firm by Super Profit Method if the goodwill is valued at 2½ years' purchase of super profits.

OR

On 1st April, 2020 an existing firm had assets of ₹75,000 including cash of ₹5,000. The partners' capital accounts showed a balance of ₹ 60,000 and reserves constituted the rest. If the normal rate of return is 20% and the goodwill of the firm is valued at ₹ 24,000 at 4 years' purchase of super profits, find the average profits of the firm.

19. Aamna and Saamna are partners in a firm. They admit Anaya as a new partner with 1/5th share in the profits of the firm. Anaya brings ₹2,50,000 as her share of capital. The value of total assets of the firm was ₹7,50,000 and outside liabilities were valued at ₹2,50,000 on that date. Give the necessary Journal Entry to record goodwill at the time of Ajay's admission. Also show your workings clearly. 3

20. Harihar, Hemang and Harit were partners with fixed capitals of ₹3,00,000, ₹2,00,000 & ₹1,00,000 respectively. They shared profits in the ratio of their fixed capitals. Harit died on 31st May, 2020, whereas the firm closes its books of accounts on 31st March every year. According to their partnership deed, Harit's representatives would be entitled to get share in the interim profits of the firm on the basis of sales. 3

Sales and profit for the year 2019-20 amounted to ₹8,00,000 and ₹2,40,000 respectively and sales from 1st April, 2020 to 31st May 2020 amounted to ₹1,50,000. The rate of profit to sales remained constant during these two years. You are required to:

- Calculate Harit's share in profit.
- Pass journal entry to record Harit's share in profit.

21. Dinesh, Alvin and Pramod are partners in a firm sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at March 31, 2018 was as follows: - 4

Balance Sheet of Dinesh, Alvin and Pramod As at 31st March, 2018

Liabilities	₹	Assets	₹
Sundry Creditors	50,000	Debtors	15,000
General Reserve	40,000	Fixed Assets	67,000
Bills Payable	10,000	Investments	40,000
Dinesh's Capital	30,000	Stock	25,500
Alvin's Capital	40,000	Cash in Hand	36,000
Pramod's Capital	30,000	Deferred Revenue	14,000
		Expenditure	
		Dinesh's Loan Account	2,500
	2,00,000		2,00,000

Dinesh died on July 1, 2018, The executors of Dinesh are entitled to:-

- His share of goodwill. The total goodwill of the firm valued at ₹50,000.
- His share of profit up to his date of death on the basis of actual sales till date of death. Sales for the year ended March 31, 2018 was ₹12,00,000 and profit for 4 the same year was ₹2,00,000. Sales shows a growth trend of 20% and percentage of profit earning remains the same.
- Investments were sold at par. Half of the amount due to Dinesh was paid to his executors and for the balance, they accepted a Bills Payable.

Prepare Dinesh's Capital account.

22. 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 2020 and 2021, 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: 4

Year	Ratio
31 March 2020	3:2:1
31 March 2021	5:3:2

You are required to give necessary adjusting entry on April 1, 2021.

23. X, Y and Z were in partnership sharing profits in proportion to their capitals. Their Balance Sheet as on 31st March, 2018 was as follows: 6

Liabilities	₹	Assets	₹
Sundry Creditors	16,600	Cash	15,000
Workmen's Compensation Fund	9,000	Debtors	21,000
General Reserve	6,000		

Capitals:			Less: Provision for	19,600
X	90,000		Doubtful Debts 1,400	19,000
Y	60,000		Stock	58,000
Z	30,000	1,80,000	Machinery	1,00,000
			Building	
		2,11,600		2,11,600

On the above date, Y retired owing to ill health. The following adjustments were agreed upon for calculation of amount due to Y.

- Provision for Doubtful Debts to be increased to 10% of Debtors.
- Goodwill of the firm be valued at ₹36,000 and be adjusted into the Capital Accounts of X and Z, who will share profits in future in the ratio of 3:1.
- Included in the value of Sundry Creditors was ₹2,500 for an outstanding legal claim, which will not arise.
- X and Z also decided that the total capital of the new firm will be ₹1,20,000 in their profit sharing ratio. Actual cash to be brought in or to be paid off as the case may be.
- Y to be paid ₹9,000 immediately and balance to be transferred to his Loan Account.

Prepare Revaluation Account and Partner's Capital Accounts.

OR

Sameer, Yasmin and Saloni were partners in a firm sharing profits and losses in the ratio of 4:3:3. On 31st March, 2020, their Balance Sheet was as follows.

Liabilities	₹	Assets	₹
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:

- 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.
- An unrecorded creditor of ₹ 20,000 will be recorded.
- Patents will be completely written off and 5% depreciation will be charged on stock, machinery and building.
- Yasmin and Saloni will share future profits in the ratio 3:2.
- 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 of the firm on Sameer's retirement.

24. Parikshit and Rajnish were partners in a firm sharing profits in the ratio of 3:2. In spite of repeated reminders by the authorities, they kept dumping hazardous material into a nearby river. The court ordered for dissolution of their partnership firm on 31st March, 2022. Parikshit was deputed to realize the assets and to pay the liabilities. He was paid ₹ 1,000 as commission for his services. The financial position of the firm on 31st March, 2022 was as follows:

Balance Sheet
as at 31st March, 2022

Liabilities	₹	Assets	₹
Creditors	80,000	Building	1,20,000
Mrs. Parikshit's Loan	40,000	Investments	30,600
Rajnish's Loan	24,000	Debtors	34,000
Investment Fluctuation Fund	8,000	Less: Provision for	
Capital A/cs		Doubtful Debts	4,000
Parikshit	42,000	Bills Receivable	37,400
Rajnish	42,000	Cash	6,000
	84,000	Profit and Loss A/c	8,000
		Goodwill	4,000
	2,36,000		2,36,000

Following was agreed upon:

- Parikshit agreed to pay his wife's loan.
- Debtors realized ₹ 24,000.
- Building realized ₹1,52,000.
- Creditors were payable after 2 months. They were paid immediately at 10% discount.
- Bills receivable were settled at a loss of ₹ 1,400.
- Realisation expenses amounted to ₹ 2,500.

Prepare Realisation Account.

25. The following is the Balance Sheet of Anu and Bhuvan, who were sharing profits in the ratio of 2/3 and 1/3 as at 31st March, 2021. 6

Balance Sheet as at 31st March, 2021

Liabilities	₹	Assets	₹
Creditors	65,900	Cash	1,200
Capitals :	30,000	Sundry Debtors	9,700
Anu	20,000	Stock	20,000
Bhuvan		Plant & Machinery	35,000
		Building	50,000
	1,15,900		1,15,900

On 1st April, 2021 they agreed to admit Monika into partnership on the following terms.

- Monika was to be given 1/3 share in profits, and was to bring ₹ 15,000 as capital and ₹ 6,000 as share of goodwill.
- The value of stock and plant & machinery were to be reduced by 10%.
- That a provision of 5% was to be created on doubtful debts.
- That the building account was to be appreciated by 20%.
- Investments worth ₹ 1,400 (not mentioned in the Balance Sheet) were to be taken into account.
- That the amount of goodwill was to be withdrawn by the old partners.

The capital accounts of Anu and Bhuvan 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 and Capital Account of the New Firm.

OR

Anil and Beena were partners in a firm sharing profits in the ratio of 4:3. On 1st April, 2015 they admitted Chahat as a new partner for 1/4th share in profits of the firm. On the date of Chahat's admission, the Balance Sheet of Anil and Beena showed a General Reserve of ₹70,000, a debit balance of ₹7,000 in the Profit and Loss Account and Investment Fluctuation Fund of ₹10,000. The following was agreed upon Chahat's admission.

(a) Chahat will bring ₹80,000 as her capital and her share of goodwill premium of ₹21,000 in cash.

(b) The market value of investments was ₹17,000 less than book value.

(c) New profit sharing ratio was agreed at 2:2:1.

Pass the necessary Journal Entries for the above on Chahat's admission.

26. A, B and C are partners with a fixed capital of ₹2,00,000, ₹1,50,000 and ₹1,00,000 respectively. They share profits up to ₹ 36,000 in their capital ratio and rest in equal proportion. A advanced ₹50,000 as loan. The partnership deed provided as under: 6
- (i) Interest on capital @ 5% p.a. and Interest on Drawings @ 3%.
- (ii) Drawings of partners were ₹ 20,000 each.
- (iii) B was entitled to rent @ ₹ 1,000 p.m. for providing his premises to the firm.
- (iv) C was entitled to commission of 5% on net profit after charging his commission.
- The net profit before these adjustments for the year was ₹ 99,000 assuming that current account balances of partners were : A ₹ 5,000 (Cr) ; B ₹ 4,000 (Cr) ; C ₹ 3,000 (Dr)
- Prepare Profit and Loss Appropriation Account.

Part B :- (Analysis of Financial Statements)

27. Current Ratio of a firm is 2.5:1 and its Current Liabilities are ₹4,00,000. Its Working Capital will be 1
- (a) ₹ 6,00,000 (b) ₹ 7,50,000
- (c) ₹ 8,00,000 (d) ₹ 14,00,000
28. Purchase of Patents by a Finance Company is classified as: 1
- (a) Operating Activity (b) Investing Activity
- (c) Financing Activity (d) Extraordinary Item
- OR
- Which of the following will result into flow of cash?
- (a) Cash withdrawn from bank ₹ 20,000
- (b) Issued 20,000, 9% Debentures to the vendor of machinery
- (c) Received ₹ 19,000 from Debtors
- (d) Deposited cheques of ₹ 10,000 into bank.
29. IDFC Bank Ltd. issued 1,00,000, 9% Debentures of ₹100 each for subscription, issue was subscribed. The amount of receipt will be shown as 1
- (a) Operating Activity (b) Investing Activity
- (c) Financing Activity (d) General Activity
30. Money received against Share Warrants is shown as 1
- (a) Shareholders' Funds (b) Other Long-term Liabilities
- (c) Long-term Provisions (d) Other Current Liabilities
- OR
- Which ratio indicates the proportion of assets financed out of shareholders' funds?
- (a) Debt Equity Ratio. (b) Fixed Assets Turnover Ratio
- (c) Proprietary Ratio (d) Total Assets to Debt Ratio.

31. Classify the following items under Major heads and Sub-head (if any) in the Balance Sheet of a Company as per schedule III of the Companies Act 2013. 3

- (i) Premium on Redemption of Debentures
- (ii) Plant and Machinery
- (iii) Investment in Debentures
- (iv) Net Loss as shown by Statement of Profit and Loss
- (v) Raw Materials
- (vi) 10% Debentures

32. Persons like shareholders, investors, etc. are more interested in knowing the likely position in future but the financial statement analysis of Retro Ltd. analyses only what has happened till date. 3

Identify the limitation of financial statement analysis highlighted in the above statement and also explain two other shortcomings of financial statement analysis, apart from the one mentioned above.

33. Determine Return on Investment and Net Assets Turnover ratio from the following information:- 4
Profits after Tax were ₹ 6,00,000; Tax rate was 40%; 15% Debentures were of ₹20,00,000; 10% Bank Loan was ₹ 20,00,000; 12% Preference Share Capital ₹ 30,00,000; Equity Share Capital ₹ 40,00,000 ; Reserves and Surplus were ₹ 10,00,000; Sales ₹ 3,75,00,000 and Sales Return ₹ 15,00,000.

OR

Net Credit Revenue from Operations of MS Ltd. during the year were ₹1,80,000. Trade Receivables Turnover is 4 times. Calculate Trade Receivables in the beginning and at the end of the year if closing Trade Receivables are two times in comparison to opening Trade Receivables. Also, calculate Average Collection Period in months.

34. Following are the Balance sheets of Krishna Ltd as on 31st March 2020 and 2021. 6

Particulars	Note No	2020-21 (₹)	2019-20 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholder's Fund			
(a) Share Capital		14,00,000	10,00,000
(b) Reserves and Surplus	1	5,00,000	4,00,000
2. Non- current Liabilities			
Long term borrowing		5,00,000	1,40,000
3. Current Liabilities			
(a) Trade Payables		1,00,000	60,000
(b) Short term Provisions	2	80,000	60,000
TOTAL		25,80,000	16,60,000
II. ASSETS			
1. Non – current Assets			
(a) Fixed Assets			
Tangible Assets	3	16,00,000	9,00,000
Intangible Assets	4	1,40,000	2,00,000
2. Current Assets			
(a) Inventories		2,50,000	2,00,000
(b) Trade Receivables		5,00,000	3,00,000
(c) Cash and Cash Equivalents		90,000	60,000
TOTAL		25,80,000	16,60,000

Notes to Accounts

Particulars	2020-21 ₹	2019-20 ₹
1. Reserves and Surplus		
Surplus (Balance in Statement of Profit and Loss)	5,00,000	4,00,000
2. Short term provisions		
Provision for Tax	80,000	60,000
3. Tangible Assets		
Machinery	17,60,000	10,00,000
Less: Accumulated Depreciation	(1,60,000)	(1,00,000)
4. 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******

