

**KENDRIYA VIDYALAYA NO 1 AFS TAMBARAM
PRACTICE PAPER XII-ACCOUNTANCY**

MAX: 80 MARKS

TIME: 3 HOURS

General Instructions:

- (i) This paper consists of two parts- A and B.
- (ii) Part A and Part B are compulsory.
- (iii) All parts of the questions should be attempted at one place.

PART-A

(Accounting for Partnership Firms and Companies)

1. Under which capital method the current accounts of partners are maintained? (1)
2. What is meant by employees' stock option plan? (1)
3. State the minimum amount of profit to be transferred to debenture redemption reserve. (1)
4. In case of dissolution of a firm which liabilities are to be paid first?(1)
5. List any two modes of redemption of debentures. (1)
6. As a director of a company, you have invited applications for 40,000 equity shares of Rs. 10 each at a premium of Rs.5. The total application money received @ Rs.2 per share was Rs.1,00,000. Name the kind of subscription. List the three alternatives for allotting these shares (1)
7. Find out the missing values in the following journal entry :-

JOURNAL

DATE	PARTICULARS	LF	Dr.	Cr.
2015 April 1	Bank A/c Dr. To ----- To premium a/c		2,00,000	1,50,000 50,000
1	Premium for goodwill A/c Dr. To Sachin's Capital To Dhoni's Capital (Being premium for goodwill distributed in sacrificing ratio of 1:2)		_____	_____ _____
1	_____ Dr. _____ _____ Dr. To _____ (Being the withdrawal of premium for goodwill withdrawn)		_____ _____	_____ _____

(3)

8. P Ltd. purchased 1,800, 9% own debenture of Rs.100 each at Rs.97 each for immediate cancellation. **Pass necessary journal entries. (3)**
9. A,B and C are partners sharing the profit and loss in the ratio of 4:3:3. Their capitals were fixed at Rs.1,00,000, Rs.2,00,000, and Rs.3,00,000 respectively. For the year 2009, interest on capital was credited to them @ 10% p.a. instead of 9% p.a. **Pass the necessary adjusting entry (3)**
10. Calculate interest on drawings of Mr.Siddhant @10% p.a for the year ended 31.3.15 in the following case:
(i)If he withdrew Rs.6,000 at the beginning of each quarter. **(3)**
11. A and B shared profits and losses in the ratio of 3:2. With effect from 1.4.15 they agreed to share profits equally. The goodwill of the firm was valued at Rs.30,000.
Pass necessary journal entries. (4)
12. P Ltd. Forfeited 950 shares of Rs.10 each issued at a premium of Rs.4 because of non payment of call Rs.3. Of these 600 shares were reissued @ Rs.9. **Pass necessary journal entries. (4)**
13. A & B are partners with capitals of Rs.1,60,000 and Rs.1,20,000 respectively. They admit C as a partner on 1st January 2015 for $\frac{1}{4}$ th share in the profits of the firm. C brings in Rs.1,60,000 as his share of capital. Give journal entries on c's admission. **(6)**
14. S Ltd. Purchased machinery worth Rs.1,98,000 from Godrej Ltd. The payment was made by the issue of Debentures of Rs.100 each. Pass necessary journal entries for the purchase of machinery and issue of debentures when
- (a) Debentures are issued at Par.
 - (b) Debentures are issued at 10% discount.
 - (c) Debentures are issued at 10% premium **(6)**
15. Pass necessary journal entries for the following transaction on the dissolution of the firm of A & B after the various assets (other than cash) and outside liabilities have been transferred to Realization A/c.
- (a) Loan of Rs.10,000 advanced by a partner was refunded.
 - (b) X, a partner takes over unrecorded assets of Rs.300.
 - (c) Undistributed balance (debit) of P& L A/c Rs.30,000. The firm has three partners X:Y:Z 5:3:2.
 - (d) Assets of the firm realized at Rs.125000.
 - (e) Y undertakes to carry out the dissolution proceedings is paid Rs.2000 for the same.
 - (f) Creditors paid Rs.28000 in full settlement. **(6)**

16. Vimal and Nirmal are partners sharing the profit and loss in the ratio of 3:2. Their balance sheet as on 31-12-2009 was as follows.

Creditors	20,000	Cash	14,000
Vimal's capital	60,000	Debtors	18,000
Nirmal's capital	32,000	Stock	40,000
Reserve	10,000	Plant	50,000
TOTAL	1,22,000	TOTAL	1,22,000

They admitted Kailash on the following terms.

- 1) He will introduce Rs.40,000 as his capital and Rs.20,000 as his share of Goodwill.
- 2) The new profit sharing ratio is 2:1:1.
- 3) Plant is reduced to Rs.35,000 and stock is reduced by 10% .
- 4) Create a provision for doubtful debts at Rs.1,000 on debtors.

Prepare Revaluation account, Partner's Capital Account and balance Sheet.

OR

The following is the balance sheet of A, B and C as on 31/3/2015

LIABILITIES	Rs.	ASSETS	Rs.
CREDITORS	20,000	PLANT	1,00,000
RESERVE	32,000	STOCK	40,000
A'S CAPITAL	1,00,000	DEBTORS	60,000
B'S CAPITAL	50,000	CASH	52,000
C'S CAPITAL	50,000		
	2,52,000		2,52,000

C died on 30th June, 2015. Under the terms of partnership deed, the executors of a deceased partner were entitled to

- (a) Amount standing to the credit of the partner's Capital A/c
- (b) Interest on capital @ 5%. p.a

- (c) Share of goodwill on the basis of 2 years purchase of the average profit of the past 3 years.
- (d) Share of profits from the closing of the last financial year to the date of death on the basis of the last 2 years profit.
- (e) C's share of Goodwill will be adjusted to the accounts between A & C in the ratio of 2:1.

Profits for 2007, 2008 and 2009 were Rs.80,000, Rs.90,000, and Rs.1,00,000 respectively.

Profits were shared in the ratio of capitals. Draw up C's executors A/C. (8)

17. X ltd. Issued 5,000 shares of Rs.10 each payable as follows

On application	Rs.3
On allotment	Rs.5
On call	Rs.2

The company received 6,500 applications. The directors fully rejected 500 applications and allotted the remaining on pro rata basis. Excess application money adjusted towards allotment.

Mr. Ram, holder of 300 shares failed to pay his allotment and call money. His shares were forfeited. Of these 250 shares were reissued to Peter for Rs.2,400.

Pass necessary Journal Entries.

(Or)

Bala stores issued to public for subscription 40,000 shares of Rs.10 each at a discount of 10% payable as Rs.2 each on application, Rs.2 on allotment and Rs.2 on first call and Rs. 3 on final call. Applications were received for 60,000 shares and allotment was made Pro-rata to 80% of the applicants. R to whom 2,000 shares were allotted paid only the application money and S, who had applied for 3,000 shares, paid the entire call money due along with allotment. **Pass necessary Journal entries. (8)**

PART-B

(Analysis of Financial Statements)

- 18. What is meant by cash flow statement? (1)
- 19. What is meant by an operating cycle? (1)
- 20. Anand Ltd. prepared its balance sheet as per schedule III Part I of the companies Act, 2013 to provide true and fair view of its financial positions.
 - (a) Under which head and sub-head will the company show unclaimed dividend, calls in arrear. (4)
 - (b) Identify the value being followed by Anand Ltd. (4)
- 21. Opening inventory Rs.29,000; Closing inventory Rs.31,000; Sales Rs.3,00,000; Gross profit 25% on cost. Calculate inventory turnover ratio. (4)

22. Prepare Common Size Balance Sheet from the following : (4)

	31st Mar,2015	31st Mar,2014
Share holders fund	800000	700000
Non-Current Liabilities	400000	400000
Current liabilities	300000	100000
Non-Current assets	1050000	700000
Current Assets	450000	300000

23. Calculate the cash flow from operating activities from the following details

Particulars	2015 (Rs)	2014 (Rs)
Balance in statement of profit and loss	55,000	60,000
Trade receivables	25,000	31,000
Outstanding rent	12,000	21,000
Goodwill	40,000	38,000
Prepaid insurance	4,000	2,000
Trade payables	13,000	19,000

(6)

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PART-A

(Accounting for Partnership Firms and Companies)

1. Bindhu and Sindhu are partners sharing profits and losses in the ratio of 2:3 with a capital of Rs.2,00,000 and Rs.1,00,000 respectively. Partnership deed provides for interest on capital @ 6% p.a and loss for the year is Rs.20,000. Show the treatment of interest on capital.
(1)
2. X and Y are partners. Z is admitted for $1/8^{\text{th}}$ share. In which ratio X and Y will sacrifice their share of profit in favour of Z? (1)
3. Jeya Ltd. Has ₹ 5, 00,000, 9% Debentures of ₹ 100 each of which half the amount is due for redemption at a premium of 5%. The company has in its Debenture Redemption Reserve a balance of ₹ 50,000. State the amount of profit required to be transferred to Debenture Redemption Reserve (DRR). (1)
4. What is meant by Debenture issued as Collateral Security? (1)
5. Gyan and Govind are partners sharing profits and losses in the ratio of 5:3. They admitted Ganga with $1/5^{\text{th}}$ share in the profits. Ganga brought Rs.40, 000 as her share in the profits as premium for goodwill. Pass necessary journal entries. (1)
6. Why is Sacrificing Ratio calculated at the time of Admission of a partner? (1)
7. State any 2 purposes for which securities premium amount can be utilised as per section 78 of the companies act. (3)
8. A, B and C were partners in a firm sharing profits and losses in the ratio of 4:3:3. Their capitals were fixed at Rs. 50,000, Rs. 1,00,000 and Rs. 1,50,000 respectively. For the year 2010 Interest on capital was credited to them @ 10% instead of 9%p.a. Showing your working notes clearly pass necessary adjustment entry. (3)
9. The directors of Joy Ltd. Forfeited 1200 shares of Rs. 100 each. Issued at a discount of 6% because of non-payment of call Rs. 30. Half of the forfeited shares were reissued for Rs. 50,000. Record the journal entries for forfeiture and reissue of shares. (3)

10. Satish Ltd. has prosperous garment business. It is manufacturing clothes in India and exporting to Europe. One of the core focus of the company is to pay back to society. Management of the company decided not only to supply free clothes to needy in different parts of the country but also to provide employment to persons from weaker section of the society. In order to meet the funds requirement, the company privately places 55,000 Equity Shares of ₹ 100 each with Allianz Capital Ltd. Pass necessary Journal entries for issue of shares. Also, identify two values which the company wants to communicate to the society.
(3)
11. Sumit and Puneet are partners in a firm sharing profits in the ratio of 3:2 respectively. The fixed capital of sumit is Rs.2,40,000 and Puneet is Rs.1,50,000. On 1.4.15 they admitted Kashish as a new partner for $\frac{1}{5}$ th share in future profits. Kashish brought Rs.1,50,000 as his capital . Calculate the value of goodwill of the firm and record necessary journal entries on kashish's admission.
(4)
12. Ravi and Mohan were partners in a firm sharing profits in the ratio of 7: 5. Their respective fixed capitals were ₹ 10, 00,000 and ₹ 7, 00,000. The partnership deed provided for the following:
(i) Interest on Capital @ 12% p.a.
(ii) Ravi's Salary ₹ 6,000 per month and Mohan's Salary ₹ 60,000 per year.
The profit for the year ended 31st March, 2015 was ₹ 5, 04,000 which was distributed equally, without providing for the above. Pass an adjustment entry.
(4)
13. (a) A business has earned average profits of ₹ 2, 00,000 during the last few years and the normal rate of return in similar business is 10%. Find out the value of goodwill by
(i) Capitalisation of Super Profit Method.
(ii) Super Profit Method if the goodwill is valued at 3years purchase of super profits.
The asses of the business were ₹ 20, 00,000 and its external liabilities ₹ 3, 60,000.
(b) A, B and C are partners sharing profits and losses in the ratio of 3: 2: 1. D is admitted. The new profit – sharing ratio among A, B, C and D will be 3: 3: 2: 2. Calculate gain/sacrifice.
(6)
14. (a) Young India Ltd. Has paid – up equity share capital of ₹ 50, 00,000. The company earns a return on investment of 15% on its capital. The company needed funds for diversification. The finance manager had the following options:
(i) Borrow ₹ 25, 00,000 @ 15% from SBI payable in four quarterly instalments starting from the end of 3rd year.
(ii) Issue 10% Debentures of ₹ 25, 00,000 of ₹ 100 each redeemable at a premium of 10% after three years.
For increasing the return to the shareholders, the company opted for option (ii).
Pass necessary Journal entries for issue of debentures.
(6)
15. Sudha and Joshi were partners in firm sharing and losses in the ratio of 3: 7. They decided to dissolve the firm on 1st May, 2015. From the information given below, complete Realisation Account, Partners Capital Accounts and Bank Account:

Dr.

REALISATION ACCOUNT

Cr.

Particulars	₹	Particulars	₹
To Land and Building A/c	6,00,000	By Creditors A/c	2,77,000
To Machinery A/c	5,00,000	By Bank A/c (Land and Building)	7,00,000
To Stock A/c	40,000	By Bank A/c (Machinery)	3,50,000
To Debtors A/c	2,00,000	By Loss transferred to:	
		Sudha's Capital A/c -----	
		Joshi's Capital A/c -----	---
	13,40,000		13,40,000

Dr.

PARTNERS' CAPITAL ACCOUNTS

Cr.

Particulars	Sudha	Joshi	Particulars	Sudha	Joshi
	₹	₹		₹	₹
To Realisation A/c	---	---	By Balance b/d	---	---
To Bank A/c	3,33,000	7,77,000	By Profit and Loss A/c (profit)	36,900	86,100
	-----	-----		3,36,900	7,86,100

Dr.

BANK ACCOUNT

Cr.

Particulars	₹	Particulars	₹
To Balance b/d	----	By Sudha's Capital A/c	3,33,000
To Realisation A/c	----	By Joshi's Capital A/c	7,77,000
To Realisation A/c	----		
	11,10,000		11,10,000

(6)

16. Adhi and Shami are partners in a firm sharing profits in the ratio of 2:1. Gopu is admitted with into the firm for $\frac{1}{4}$ th share in profits. He will bring Rs. 30,000 as his capital. Their Balance Sheet as on 31.3.2015 was as under.

Liabilities	Amount	Assets	Amount
Creditors	8,000	Cash	12,000
Bills Payable	4,000	Debtors	8,000
General Reserve	6,000	Stock	10,000
Adhi's Capital	52,000	Furniture	5,000

Shami's capital	30,000	Machinery	25,000
		Building	40,000
	<hr/>		<hr/>
	1,00,000		1,00,000

Other terms of the agreement are as under:

- (i) Gopu will bring in Rs. 12,000 as his share of goodwill
- (ii) Building was valued at Rs.45, 000 Machinery at Rs. 23,000
- (iii) A provision for bad debts is to be created @ 6% on debtors.

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

OR

A, B and C are partners in a firm sharing profits in the ratio of 3:2:1 respectively. On 31st March, 2010 the Balance sheet of the firm stood as:

Liabilities	Amount	Assets	Amount
Creditors Capital :	13,590	Cash	4,700
A 15,000		Debtors	8,000
B 10,000		Stock	11,690
C 10,000		Building	23,000
	<hr/>	Profit and Loss a/c	<hr/>
	35,000		1,200
	<hr/>		<hr/>
	48,590		48590

B retired on the above mentioned date on the following terms:

- i) Building to be appreciated by Rs. 7,000
- ii) A provision for Doubtful Debt debts to be made at 5% on Debtors.
- iii) Goodwill of the firm is valued at Rs. 18,000 and adjustment in this respect to be made in the continuing partners' Capital Accounts without raising the goodwill account.
- iv) Rs. 3,000 to be paid to B immediately and the balance in his Capital Account to be transferred to his Loan Account.

Prepare the Revaluation Account, Capital Accounts, cash Account and the Balance Sheet after B's retirement. (8)

17. X Ltd forfeited 100 shares of Rs. 10 each, Rs. 6 called up, issued at a discount of 10% to Mahesh on which he had paid Rs. 2 per share. Out of these 80 shares were reissued at Rs. 6 per share to Suresh, Rs. 8 paid up.

X Limited forfeited 2,000 equity shares of Rs. 10 each, issued at a premium of Rs. 5 per share held by Ram for non payment of the final call of Rs. 3 per share. Of

these 100 shares were reissued to Vishu at a discount of Rs. 4 per share.

OR

ABC Ltd issued 1,000 shares of Rs. 100 each at par Payable as follows: on application Rs. 20 On Allotment Rs. 30 and the balance on First and Final call. All the shares Were subscribed and paid duly excepting on 300 shares First and Final call money was not received. These shares were forfeited and reissued as fully paid for Rs. 70. Pass necessary journal entries. (8)

PART B

ANALYSIS OF FINANCIAL STATEMENTS

18. What is meant by cash equivalents while preparing cash flow statement? (1)
19. State whether cash deposited in bank will result in inflow, outflow or no flow of cash.(1)
20. (a) Name the sub - heads under the head 'Fixed assets' in the Assets part of the Balance Sheet as per Schedule III of the Companies Act, 2013.
(b) State any two uses of Financial Analysis. (4)
21. From the following information calculate inventory turnover ratio
Sales Rs.4,00,000, Average inventory Rs.55,000, Gross loss on sales is 10%. (4)
22. Softouch Ltd. recognising the hard work and dedication put in by its workers in their work, decided to give its staff extra bonus equal to two months' salary. Following is the Comparative Balance Sheet of the company for the years ended 31st March,2014 and 31st March, 2015:

COMPARATIVE BALANCE SHEET

For the years ended 31st March, 2014 and 2015

A Particulars	B 31 st March, 2014 ₹	C 31 st March, 2015 ₹	D= C - B Absolute change ₹	E = D × 100/B Percentage Change (%)
I. EQUITY AND LIABILITIES				
1. Shareholders; Funds				
(a) Share Capital	7,50,000	10,00,000	2,50,000	33.33
(b) Reserves and Surplus	2,50,000	3,00,000	50,000	20.00
2. Non – Current Liabilities				
Long – term Borrowings	15,00,000	16,50,000	1,50,000	10.00
Total	25,00,000	29,50,000	4,50,000	18.00
II. ASSETS				
1. Current Assets				
(a) Cash and Cash Equivalent	5,00,000	6,00,000	1,00,000	20.00
(b) Other Current Assets	20,00,000	23,50,000	3,50,000	17.50
Total	25,00,000	29,50,000	4,50,000	18.00

You are to:

- (a) Calculate Debt to Equity ratio for the two years.
 (b) Identify the two values which the company has communicated to the society. (4)

23. Following are the Balance Sheets of Monica Ltd. As at 31st March, 2015 and 2014

Particulars	Note no.	31 st March, 2105 (₹)	31 st March 2014 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		20,00,000	16,00,000
(b) Reserves and Surplus	1	9,00,000	8,00,000
2. Non – Current Liabilities			
Long – term Borrowings		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		35,80,000	26,60,000
II. ASSETS			
1. Non – Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	3	16,00,000	9,00,000
(ii) Intangible Assets	4	6,40,000	7,00,000
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		5,90,000	5,60,000
Total		35,80,000	26,60,000

Notes to Accounts :

Particulars	31 st March 2015 (₹)	31 st March 2014 (₹)
1. Reserves and Surplus		
Surplus, i.e., Balance in Statement of Profit and Loss	9,00,000	8,00,000
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)
	16,00,000	9,00,000
4. Intangible Assets		
Goodwill	6,40,000	7,00,000

Prepare a Cash Flow Statement after taking into account the following adjustment:
Tax paid during the year amounted to ₹ 1,40,000. (6)
