INDIAN SCHOOL DARSAIT
ANSWER KEY OF FIRST TERM EXAMINATION- Sept. 2017
ACCOUNTANCY (055)

Resource Person: SAJU JOSEPH, PGT- COMMERCE	
Class: XII	Max.Marks:80
Date: 13-09-2017	Time: 3Hours

General Instructions:

(i) All Questions are compulsory.

PART-A(Partnership Accounts)

1 Balance of the 'Fixed capital Accounts may change when: 1

1. Additional capital introduced
2. Withdrawal is made from capital

2 It is not fictitious asset because it has a realizable value. It is an intangible asset because it cannot be seen and touched. 1

3 No. Partnership firm is a business for earning and sharing of profit. A Charitable Dispensary is not a business; It is a not for profit organization; It does not share profit. 1

4 36000 X 12/100 X 5.5/12= 1980 1

5 Int. on capital: X = 20000 x 10%= 2000.

„ Y = 16000 X 10% = 1600

item	X		Y		Firm	
Reversal of profit distributed	1800		1800			3600
Int. on capital to be credited		2000		1600	3600	

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Balance c/d	200			200		
Total	2000	2000	1800	1800	3600	3600

Journal entry

Y's capital Account Dr. 200

X's Capital Account 200

(Being the error is rectified by an adjusting entry)

Journal

	Particulars	LF	Dr	Cr	
6	Cash A/c Dr		15000		
	To Goodwill Premium			15000	
	(being goodwill brought in by Copper by cash)				
	Goodwill A/c Dr		15000		
	Silver's capital		6000		3
	To Gold's capital			21000	
	(Being partner's capital accounts are adjusted as per share of goodwill)				

Gold's sacrifice= 4/5-1/3= 12/15-5/15= 7/15

Silver's sacrifice= 1/5-1/3= 3/15-5/15 = -2/15 (gain)

Copper's share= 1/3= 5/15

Journal

	Particulars	LF	Dr	Cr	
7					4
	Building A/c Dr		15000		
	To Revaluation A/c			15000	
	(being appreciation of building)				
	Revaluation A/c Dr		15000		
	To Rajan's Capital A/c			9000	
	To Suman's capital A/c			6000	
	(being revaluation profit transferred to partners' capital accounts)				

Suman's capital A/c Dr		3000	
To Rajan's capital			3000
(Being partner's capital accounts are adjusted as per share of goodwill)			

Rajan's sacrifice= 3/5-1/2= 6/10-5/10= 1/10

Suman's sacrifice= 2/5-1/2= 4/10-5/10 = -1/10 (gain)

(a) Care for the poor, empathy, sympathy, honesty, kindness etc.

8 (b) **Journal**

Particulars	**LF**	**Dr**	**Cr**
A's capital A/c Dr		5000	
C's capital A/c Dr		5000	
To B's Executor's A/c			10000
(being share of goodwill of deceased partner adjusted through remaining partners' capital accounts)			
General Reserve A/c Dr		270000	
To A's capital A/c			67500
To B's capital A/c			67500
To C's capital A/c			135000
(being General Reserve is shared among partners')			

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Profit & Loss Appropriation Account for the year ended Mar.31 2017

Particulars	Rs.	Particulars	Rs.
Interest on Capital:		Profit & loss a/c (net profit)	7,50,000
Anand's capital a/c 32,000			
Rajesh's capital a/c 24,000			
Kabeer's capital a/c 16,000			
Manoj's capital a/c <u>8,000</u>	80000		
Partner's salary:			

Kabeer's capital a/c	72000		
Share of profit:			
Anand's capital a/c 203467			
Rajesh's capital a/c 152600			
- deficiency borne 267 152333			
Kabeer's capital a/c 101733			
+deficiency recvd 267 102000			
Manoj's capital a/c 140200	598000		
	750000		**750000**

Note:

Residual profit= 750000-80000-72000=598000.

Manoj's share of profit= 200000-59800= 140200

Residual profit after paying to Manoj= 598000-140200=457800

Anand's share of profit= 457800 x 4/9= 203467

Rajesh's share of profit = 457800 x 3/9 =152600

Kabeer's share of profit =457800 x 2/9 =101733

Kabeer's total earnings =101733+72000+16000=189733.

Kabeer's deficit borne by Rajesh =190000-189733=267

REVALUATION ACCOUNT

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Particulars	(₹)	Particulars	(₹)
Stock	10000	Building	40000
Machinery	15900	Creditors unlikely to arise	2500
PBDD	2200		
Gain transfer:			
A's cap. 7200			
B's cap. 4320			
C's cap. 2880	14400		
	42500		42500

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Partners' Capital Account

Particulars	A	B	C	Particulars	A	B	C
A'S cap		1000		Bal. b/d	200000	150000	150000
				GR	18000	10800	7200
				B's cap	10000		
Bal c/d	235200	155120	16080	Rev. A/c	7200	4320	2880
	235200	165120	16080		235200	165120	16080

Journal

	S. No.	Particulars	LF	Debit Rs	Credit Rs	
11	2017 Mar31	Balan's capital A/c Dr Chander's capital A/c Dr To Amit's capital A/c (Being adjustment made for goodwill of retirement in gaining ratio 5:1)		16,667 3,333	 20000	6
		Chander's Capital a/c Dr To Chander's Loan A/c (Being balance of Chander's capital a/c is transferred to his loan a/c)		60,000	 60,000	

Note :

Balan's Gain=3/4 -2/6 =5/12

Chander's gain=1/4 – 1/6 = 1/12

Gaining ratio = 5:1

Goodwill = 60000-40000= 20000

Balan's contribution for g/w= 20000 x 5/6=16667

Chander's contribution for g/w= 20000 x 1/6 =3333

Chander's Loan A/c

Date	Particulars	₹	Date	Particulars	₹
2018 Mar 31	To Bank	26000	2017 Mar 31	By T's Capital a/c	60,000
,,	Balance c/d	40,000	2018 Mar 31	Int. on loan	6000
		66000			**66000**
2019 Mar 31	To Bank	24000	2018 Apr 1	Bal. b/d	40,000
,,	Balance c/d	20000	2019 Mar 31	Int. on loan	4000
		44000			**44000**
2020 Mar 31	To Bank	22000	2019 Apr 1	Bal b/d	20000
			2020 Mar 31	Int. on loan	2000
		22000			**22000**

Realization Account

	Particulars	₹	Particulars	₹	
12	Machinery	121500	PBDD	1800	6
	Stock	22650	Mrs M's loan	30000	
	Investments	44490	Crs	49500	
	Furniture	42000	EPF	6000	
	Drs	27900	Bank A/c :		
	M's capital (wife's loan)	30000	Furniture 36000		
	Bank A/c:		Machinery 165000		
	Realization expense 1800		Drs 6450	207450	
	Crs (49500-90000) 40500	42300			
	Gain transferred to:		M's capital	52500	
	M's capital 24705		N's capital	33000	

N's capital 16470			
O's capital 8235	49410		
	380250		**380250**

Partners' Capital Accounts

Particulars	M	N	O	Particulars	M	N	O
To Bal b/d			35500	By Bal. b/d	117,000	58,000	
,, Revaluation A/c	52500	33000		,, GR	21000	14000	7000
				,, Workmen Comp. Reserve	3,000	2,000	1,000
				,, Revaluation A/c	24705	16470	8235
				,, Revaluation A/c	30000		
,, Bank	143205	57470		,, Bank A/c			19265
	195705	**90470**	**35500**		**195705**	**90470**	**35500**

Bank Account

Particulars		Particulars	
To Balance b/d	16260	,, Revaluation a/c	42300
,, Revaluation A/c	207450	,, M's capital a/c	143205
,, O's capital a/c	19265	,, N's capital a/c	57470
	226715		**226715**

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Revaluation Account

Particulars	₹	Particulars	₹
Claim for damage	1,000	Unclaimed creditors	4,000
Stock	18,000	Loss transferred to Capital Accounts :	
Patents	6,000	A 10,500	
		B 7,000	
		C 3,500	21,000
	25,000		**25,000**

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Partners' Capital Accounts

Particulars	A	B	C	D	Particulars	A	B	C	D
To Revaluation a/c	10,500	7,000	3,500		By Bal. b/d	60,000	60,000	50,000	
,, Goodwill	7,500	5,000	2,500		,, Bank				60,000
,, Bank		11,000	6,000		,, Gen Reserve	6,000	4,000	2,000	
,, balance c/d	90,000	50,000	40,000	60,000	,, Prem. for goodwill	9,000	9,000		
					,, Bank OD	20,000			
					,, Bank	13,000			
	1,08,000	73,000	52,000	60,000		1,08,000	73,000	52,000	60,000

Balance Sheet of A,B,C & D as at April 1, 2017

Liabilities	₹	Assets	₹
S/ Creditors (36000-4000)	32,000	Cash	14,000
		Bank (78,000+13,000-17000)	74,000
Claim for damage	1,000	Sundry Debtors 50,000	
Capital Accounts :		Less: Provision 5,500	44,500
A 90,000		Stock(60,000-18,000)	42,000
B 50,000		Fixed Assets	98,500
C 40,000			
D 60,000	2,40,000		
	2,73,000		2,73,000

Note:

1. New profit sharing ratio:

A's share of profit = $\frac{3}{6} - \frac{1}{8} = \frac{24-6}{48} = \frac{18}{48} = \frac{9}{24}$

B's share of profit = $\frac{2}{6} - \frac{1}{8} = \frac{16-6}{48} = \frac{10}{48} = \frac{5}{24}$

C's share of profit = $\frac{1}{6} = \frac{8}{48} = \frac{4}{24}$

D's share of profit = $\frac{1}{4} = \frac{6}{24}$

New profit sharing ratio= 9:5:4:6

2. Sacrificing ratio:

A's sacrifice= $\frac{3}{6} - \frac{9}{24} = \frac{3}{24}$

B's sacrifice= $\frac{2}{6} - \frac{5}{24} = \frac{3}{24}$

Sacrificing ratio between A & B = 3:3

3. Total Capital of the firm=Capital of new partner x reciprocal of share of profit of new partner

= 60,000 x $\frac{4}{1}$= 2,40,000

New capital of all partners=	A	B	C	D
(in the ratio of 9:5:4:6)	=90,000	50,000	40,000	60,000

PART-B (Analysis of Financial Statements)

14 Operating profit ratio = 100 – 83.16 =16.84 1

15 Current ratio = CA/ CL 1

3/2 = 600000/400000

Let the amount paid be *x.*

After the payment

$2/1 = \frac{600000-x}{400000-x}$

800000- 2x = 600000- x

800000- 600000 =2x –x

200000= x

Amount to be paid = ₹ 200000.

16 PBIT= 3,00,000, (ie. 60%) 1

= 3,00,000 x 100/60

= **5,00,000.**

Int. on 10 % debentures= 2,00,000 x 10/100

= **20,000.**

Interest Coverage Ratio= $\frac{\text{Profit Before Interest and Tax}}{\text{Int. on Long term Debt}}$ = … times

Interest Coverage Ratio = $\frac{5,00,000}{20,000}$

= **25 times.**

17 Trade Payable Turnover Ratio= $\frac{\text{Net credit Purchases}}{\text{Avg. Trade Payables}}$ = … times 1

Avg. Trade payables= 60,000+40000= **1,00,000**

Trade Payable Turnover Ratio= $\frac{\mathbf{3,00,000}}{\mathbf{1,00,000}}$ **= 3 times**

Note: Since there is no opening Trade Payables, closing Trade Payables + Bills Payables are considered as total payables.

18 (i) Selling goods on credit= **No Change** as it will not affect long term debt or shareholders funds 3

(ii) Purchase of goods for cash= **No Change** as it will not affect long term debt or shareholders funds

(iii) Proposed dividend= **Increase** as shareholders fund decreases and long term debt remain unchanged.

(iv) Issue of 10 % debentures= **Increase** as shareholders fund remain unchanged and long term debt increases.

(v) Payment of 12% loan= **Decrease** as shareholders fund remain unchanged and long term debt decreases.

(vi) Purchase of Building by issue of Equity Shares= **Decrease** as shareholders fund increases and long term debt remain unchanged.

19 (i) Dividend received by mutual fund Company: **Operating** Activity 3

(ii) Interest paid by Bank: **Operating** Activity

(iii) Rent received by a company whose main business is real estate business: **Operating** Activity

(iv) Dividend paid by a finance company: **Financing** Activity

(v) Interest received: **Investing** Activity

(vi) Tax Paid: **Operating** Activity

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COMPARATIVE STATEMENT OF PROFIT & LOSS

for the years ended 31st March 2016 and 2017

Particulars	31-3-2016	31-3-2017	Absolute change Increase/decrease	% change Increase/decrease
Revenue from Operations	14,00,000	17,50,000	3,50,000	25
Other Incomes	2,00,000	4,00,000	2,00,000	100
Total Revenue (A)	**16,00,000**	**21,50,000**	**5,50,000**	**34.38**
Expense:				
Employee benefit Expenses	7,00,000	11,00,000	4,00,000	57.14
Other Expenses	3,00,000	4,50,000	1,50,000	50.00
Total Expense (B)	**10,00,000**	**15,50,000**	**5,50,000**	**55**
Profit before Tax (A-B)	**6,00,000**	**6,00,000**	**000**	**000**
Tax (50%)	3,00,000	3,00,000	000	000
Profit after Tax	3,00,000	3,00,000	000	000

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COMMON- SIZE BALANCE SHEET

As at March 31, 2017

Particulars	Absolute Amounts	% of Balance Sheet total
I EQUITY & LIABILITIES		
1. Shareholders Funds		
(a) Share capital	40,00,000	66.67
(b) Reserves & Surplus:	6,00,000	10.00
2. Current Liabilities		
(a) Long Term Borrowings	12,00,000	20.00
3. Current Liabilities		
Short –Term borrowings	2,00,000	3.33
TOTAL	**60,00,000**	**100.00**
II ASSETS.		
1. Non- Current Assets		
(a) Fixed Assets		
(i) Tangible Asset	40,00,000	66.67
(ii) Intangible Asset	2,00,000	3.33
2. Current Assets		
(a) Inventories	12,00,000	20.00
(b) Cash & cash equivalents	6,00,000	10.00
TOTAL	**60,00,000**	**100.00**

22 CA= 8,00,000. 3

a) $\frac{CA}{CL} = 2$ +

3

Ie. , $\frac{800000}{CL} = 2$

$\therefore$ CL = 800000 ÷ 2 = **4,00,000**

$$\frac{LA}{CL} = 1.5$$

ie. $$\frac{\text{Liquid Assets}}{400000} = 1.5$$

$\therefore$ LA = 400000 X 1.5 = **6,00,000**

Inventory (Closing) = CA – LA

= 8,00,000 – 6,00,000= **2,00,000**

Inventory Turnover Ratio= $$\frac{\text{COGS}}{\text{Avg. Inv.}} = 6 \text{ times}$$

$$\frac{\text{COGS}}{2{,}00{,}000} = 6 \text{ times}$$

$\therefore$ Cost of Goods Sold **= 12,00,000.**

RFO = 12,00,000 + 25% of 12,00,000

= **15,00,000**

Note: Since there is no opening inventory, closing inventory is considered as avg. inventory.

b) Return on Capital Employed (ROI)

$$= \frac{\text{Net Profit before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100 = \ldots\ \%$$

Interest = 3,60,000

Tax= 40% of PBIT

Dividend = not given

PBIT= 12,00,000 x 100/60 = 20,00,000

Net Profit before Interest, Tax and Dividend = 20,00,000 + 3,60,000= **23,60,000**

Long term borrowings = 10% debentures

= 3,60,000 x 100/10= 36,00,000

Capital Employed = Share capital + Reserves & Surplus +SPR+ Long Term Borrowings

= 48,00,000+12,00,000+4,00,000+36,00,000

= **1,00,00,000**

Return on Capital Employed (ROI) $= \frac{23,60,000}{1,00,00,000} \times 100 =$ **23.6 %**

CASH FLOW STATEMENT of SOLOMON LTD.

23 **for the year ended 31st March 2017**

Particulars		**₹**	**₹**	6
(A) Cash Flow from Operating Activities				
Net Profit before Tax & Extraordinary items		5,000		
Add: Non cash expenditure:				
Amortization of Patent (22300-2000)	20,300			
Transfer to General Reserve	12,500	32,800		
Operating profit before working capital changes		37,800		
Add: Decrease in CA and increase in CL:				
Increase in Trade Payables		2,300		
		40,100		
Less: Increase in CA and decrease in CL:				
Increase in Inventory	2,000			
Increase Trade Receivables	1,500	(3,500)		
Cash flow from operating activities			36,600	
(B) Cash flow from investing activities				
Less: Purchase of Plant & Machinery (83,000-46,700)		(36,300)		
Cash used in investing activities			(36,300)	
(C) Cash flow from financial activities				
Cash proceeds from issue of shares	20,000			
Cash proceeds from Bank OD	200	20,200		
Cash flow from financing activities			20,200	
(D) NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)			20,500	
Add : cash & cash equivalents in the beginning of the year			2,000	
(E) Cash & cash equivalents at the end of the year			**22,500**	

Working Note:

Closing surplus, i.e., Balance instatement of P&L	=	15,000
Less: opening surplus, i.e., Balance instatement of P&L	=	10,000
Profit for the year	=	5,000