COMMON PRE-BOARD EXAMINATION 2017-2018

ACCOUNTANCY

CLASS XII

Time Allowed: 3 hours Maximum Marks: 80

General Instructions:

1. *Please check that this question paper contains 7 printed pages.*
2. *Please check that this question paper contains 23 questions.*
3. *Please write down the serial number of the question before attempting it.*
4. *This question paper contains two parts A and B.*
5. *All parts of a question should be attempted at one place.*

Part A: Accounting for Partnership Firms and Companies

1. X, Y and Z are partners in a firm. They do not have a Partnership deed. 1

   a) X, who has contributed more capital than other partners, demands interest on capital at 10% p.a and share of profit in the capital ratio. But Y and Z do not agree with him.

   b) Y has devoted full time to run the business and demands a salary of ₹ 5,000 p.m. But X and Z do not agree with him.

   How will the disputes be settled?

2. There is a profit of ₹ 25,000 on revaluation of assets and liabilities of the partnership firm of Mohit, Kanti and John. As a result of change in profit sharing ratio, Mohit sacrifices his 3/10 th share in favour of John. The partners decided to record the effect of revaluation without affecting the book values of the assets and liabilities by passing a single journal entry. 1

3. S,T and U were partners in a firm sharing profits in the ratio of 1:2:2. On 15-2-2017, S died and the new profit sharing ratio of T and U was 3:2. On S's death, the goodwill of the firm was valued at ₹ 60,000. 1

   Calculate the gaining ratio and pass necessary journal entry on S's death for the treatment of goodwill.

4. a) In case of dissolution of a firm, which liabilities are to be paid first? 1

   b) Show journal entry, if 60% of debtors of full value ₹ 70,000 realised on dissolution.

5. a) Why are irredeemable debentures also known as perpetual debentures? 1

   b) Where will you show the 'Premium on Redemption of Debentures Account' in the Balance Sheet of the Company?

6. Can Irredeemable debentures be called as perpetual debenture . 1

7. Vikas, Ganga and Mowmita were partners in a firm sharing profits in the ratio of 2:2:1. The firm closes its books on 31st march every year. On 30th September, 2014 Mowmita died. According to the provisions of partnership deed, the legal representatives of a deceased partner are entitled for the following in the event of his/her death: 3

(i) Capital as per the last balance sheet.
(ii) Interest on capital at 6% p.a till the date of her death.
(iii) Her share of profit to the date of death calculated on the basis of average profits of last four years.
(iv) Her share of goodwill to be determined on the basis of three years' purchase of the average profits of last four years. The profits of last four years were:

Year	Profit (₹)
2010-2011	30,000
2011-2012	50,000
2012-2013	40,000
2013-2014	60,000

The balance in Mowmita's capital account on 31-3-2014 was ₹ 60,000. And she had withdrawn ₹ 10,000 till the date of her death. Interest on her drawings were ₹ 300.

Prepare Mowmita's capital account to be presented to her executors.

8. A company issues 5,000 equity shares of ₹ 10 each payable ₹ 2 on application, ₹ 3 on allotment and ₹ 5 on call. All money was duly received except for the following: Ankur, a holder of 200 shares paid only the application money. 3
Bahadur, a holder of 300 shares paid the application and allotment money.
All the above shares were forfeited by the company after the call was made and later reissued at ₹ 12 per share.

Pass journal entries for forteiture and reissue of shares.

9. X Y Limited purchased machinery from Modern Equipment Manufactures Limited. The company paid the vendors by issue of some equity shares and debentures and balance through an acceptance in their favour payable after three months. The accountant of the company while journalising the above mentioned transactions left some items blank. You are required to fill in the blanks. 3

X Y Limited
Journal

Dt	Particulars	LF	Dr (₹)	Cr (₹)
	Machinery a/c Dr To ________________________ (being purchased for ₹ 7,00,000 from Modern Equipment Manufactures limited)		____________	 ______________
	Modern Equipment Manufactures a/c Dr Loss on issue of 9% debenture a/c Dr To _________________- To__________________ To Securities Premium a/c To Premium on redemption of debenture		____________ ____________	 ____________ ____________ ____________ ______________

	(being issued ₹1,00,000 , 9% debenture at a discount of 10%redeemable at a premium of 10% and 50,000 equity shares of ₹10 each issued at a premium of 15%)			
	____________________a/c Dr To _________________________a/c (______________________________________)		______________	________________

10. Pass the necessary journal entries for the issue of debentures in the following cases: 3

a) ₹30,000 , 12% debentures of ₹100 each issued at a discount of 5% redeemable at par.

b) ₹60,000 , 12% debentures of ₹100 each issued at a discount of 5% redeemable at ₹105.

11. Three friends Gaurav, Aslam and David were in partnership sharing profits and losses in the proportion of 5:4:3 to carry on a business of promoting handicrafts produced in different parts of India. Gaurav operated from Delhi to supply the handicrafts procured by Aslam from north India and by David from South India. These handicrafts were supplied not only to different parts of the country but exported to other parts of the world as well. 4

The balance sheet of Gaurav, Aslam and David on 31st March, 2017 was as follows:

Liabilities	₹	Assets	₹
Sundry creditors	25,000	Cash at bank	20,000
Outstanding expenses	2,500	Sundry Debtors	1,05,000
General reserve	37,500	Stock	1,50,000
Capitals: Gaurav 2,00,000 Aslam 1,50,000 David 1,00,000	4,50,000	Furniture	30,000
		Plants and machinery	2,10,000
	5,15,000		5,15,000

It was decided that with effect from 1st April, 2017 the profit sharing ratio will be 4:3:2. For this purpose, the following revaluations were made:

a) Furniture to be taken at 80% of its value.
b) Stock to be appreciated by 20%.
c) Plant and machinery be valued at ₹2,00,000.
d) Create provision for doubtful debts for ₹5,000 on debtors.
e) Outstanding expenses to be increased by ₹1,500.

Partners agreed that altered values are not to be recorded in the books and they also do not want to distribute the general reserve.

Prepare Partner's Capital account and Balance Sheet.

12. Verma and Sharma were partners sharing profits in the ratio of 3:1. On 31-3-2017 their balance sheet was as follows: 4

Balance Sheet of Verma and Sharma as at 31-3-2017

Liabilities	₹	Assets	₹
Capitals: Verma 1,20,000 Sharma 80,000	2,00,000	Land and building	70,000
Creditors	70,000	Machinery	60,000
		Debtors	80,000
		Bank	60,000
	2,70,000		2,70,000

The firm was dissolved on 1-4-2017 and Assets and Liabilities were settled as follows:

a) Creditors of ₹ 50,000 took over Land and building in full settlement of their claim.

b) Remaining creditors were paid in cash.

c) Machinery was sold at a depreciation of 30%.

d) Debtors were collected at a cost of ₹ 5,000.

e) Expenses of realisation were ₹ 1,700.

Pass necessary journal entries for dissolution of the firm.

13. a) Simmi and Ginni decided to start a partnership firm to manufacture low cost bags as plastic bags were creating many environmental problems. They contributed capitals ₹ 2,00,000 and ₹ 1,00,000 respectively on 1st April, 2013. For this, Simmi expressed his willingness to admit Sunny as a partner without capital, who is specially abled but a very creative and intelligent friend of his. Ginni agreed to this. The terms of partnership were as follows: 6

(i) New profit sharing ratio will be 2:2:1.

(ii) Interest on capital will be provided @10% p.a.

Due to shortage of capital, Simmi contributed ₹ 50,000 on 30th September, 2013 and Ginni contributed ₹ 20,000 on 1st January,2014 as additional capital. The profit of the firm year ended 31st March 2014 was 1,80,000.

(i) Prepare profit and loss appropriation account for the year ending 31st March 2014.

(ii) Identify any two values which the firm wants to commuicate to the society.

b) Radha and Rekha are partners in a firm. Calculate interest on drawings for the year @12% per annum. Radha withdraws ₹ 5,000 at the beginning of every alternate month and Rekha withdraws ₹ 5,000 at the end of every quarter.

14. a) X,Y and Z shared the profits ₹ 7,50,000 in the ratio of 2:2:1 without providing for interest on Y's loan . Y granted a loan of ₹ 5,00,000 in the beginning of accounting year, whereas the partnership deed is silent on interest on loan and profit sharing ratio. Give necessary adjustment entry. 6

b) J and K are partners in a firm. Their capitals are J - ₹ 3,00,000 and K - ₹ 2,00,000. During the year ended 31st March,2010 the firm earned a profit of ₹ 1,50,000 . Assuming that the normal rate of return is 20%, calculate the value of goodwill of the firm:

(i) By Capitalisation method

(ii) By Super profit method if the goodwill is valued at 2 years purchase of super profit.

15. a) PQR Ltd. redeemed 5,000 , 10% debentures of ₹100 each by converting them into equity shares of ₹10 each at par on 31st March, 2017 . Journalise the above transactions. 6

b) A joint stock company issued 20,000, 9% debentures ₹100 each at a premium of 5%. These debentures were to be redeemed at a premium of 10% through the issue of shares at a premium of 25%. Journalise the issue and redemption of debentures.

16. Pankaj , Naresh and Saurabh are partners sharing profits in the ratio of 3:2:1. Naresh retired from the firm due to his illness. On that date, the balance sheet of the firm was as follows: 8

Liabilities	Amount	Assets	Amount
General Reserve	12,000	Bank	7,600
Sundry creditors	15,000	Debtors 6,000 (-)Provision 400	5,600
Bills payable	12,000	Stock	9,000
Outstanding salary	2,200	Furniture	41,000
Provision for legal damage	6,000	Premises	80,000
Capitals: Pankaj 46,000 Naresh 30,000 Saurabh 20,000	96,000		
	1,43,200		1,43,200

Additional information:

a) Premises have appreciated by 20%, stock depreciated by 10% and provision for doubtful debts was to be made 5% on debtors. Further, provision for legal damages is to be made ₹1,200 and furniture to be brought upto ₹45,000.
b) Goodwill of the firm be valued at ₹42,000.
c) ₹26,000 from Naresh's capital account be transferred to his loan account and balance be paid through bank, if required, necessary loan may be obtained from bank.
d) New profit sharing ratio of Pankaj and Saurabh is decided to be 5:1.

Give the necessary ledger accounts and balance sheet of the firm after Naresh's retirement.

OR

L and M share profits of a business in the ratio of 5:3. They admit N into the firm for a fourth share in the profits to be contributed equally by L and M was as follows:

Liabilities	Amount	Assets	Amount
Capitals: L 30,000 M 20,000	50,000	Machinery	26,000
Reserve fund	4,000	Furniture	18,000
Bank loan	12,000	Stock	10,000
Creditors	2,000	Debtors	8,000
		Cash	6,000
	68,000		68,000

The terms of N's admission were as follows:

a) N will bring ₹25,000 as his capital.

b) Goodwill of the firm is to be valued at 4 years' purchase of the average super profits of the last three years.
Average profits of the last three are ₹ 20,000.
While the normal profits that can be earned on the capital employed are ₹ 12,000.

c) Furniture is to be revalued at ₹ 24,000 and the value of stock to be reduced by 20%.

Prepare revaluation account, partners' capital accounts and the balance sheet of the firm after admission of N.

17. Dinesh Ltd. invited applications for issuing 10,000 equity shares of ₹ 10 each. The amount was payable as follows: 8

On application ₹ 1
On allotment ₹ 2
On first call ₹ 3
On second and final call – Balance

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards, the second and final call was made. Mohan to whom 50 shares were alloted failed to pay the second and final call. His shares were also forfeited. All forfeited shares were re-issued at ₹ 9 per share fully paid up. Pass necessary journal entries in the books of Dinesh Ltd.

OR

Som Ltd. invited applications for issuing 60,000 equity shares of ₹ 100 each at a premium of ₹ 50 per share. The amount was payable as follows:

On applications ₹ 75 per share(including premium ₹ 25)
on allotment ₹ 50 per share (including premium ₹ 25)
on first and final call – the balance amount.

Applications for 55,000 shares were received. Allotment was made to all the applicants and the company received all money due on allotment except K, who was allotted 500 shares and his shares were immediately forfeited afterwards the first and final call was made. L to whom 300 shares were allotted failed to pay the first and final call. His shares were also forfeited. 300 shares of K and 200 shares of L were re-issued for ₹ 75,000 fully paid up.

Pass necessary journal entries in the books of Som Ltd. for the above transactions.

Part B : Analysis of Financial Statements

18. Under which type of activity will you classify dividend received by a finance company while preparing cash flow statement. 1

19. State with reason whether the cash deposited into bank would result in inflow, outflow or no flow of cash or cash equivalents. 1

20. Give major heading and sub heading under which following items will be shown in a company's balance sheet as per schedule III, part I of the companies Act 2013. 4

a) Preliminary expenses
b) Goodwill

c) Long term investments
d) Securities premium reserve
e) Unclaimed dividend
f) Encashment of employees earned leave payable on retirement
g) Provision for doubtful debts
h) Interest on calls in arrears

21. On the basis of the following information extracted from the statement of profit and loss for the year ended 31st March, 2012 and 2013. Prepare a comparative statement of Profit or Loss: 4

Particulars	31-3-2013	31-3-2012
Revenue from operations	30,00,000	20,00,000
Expenses	21,00,000	12,00,000
Other income	3,60,000	4,00,000
Tax rate	50%	50%

22. A company's stock turnover is 5 times. 4
Stock at the end is ₹ 20,000 more than that at the beginning.
Sales are ₹ 8,00,000.
Rate of gross profit on cost 1 / 4.
Current liiabilities ₹ 2,40,000.
Acid test ratio 0.75

Calculate current ratio.

23. The balance sheet of Kedar Ltd. as on 31st December 2010 and 31st December 2011 were as follows: 6

	Particulars	31-12-2011	31-12-2010
I	Equity and liabilities:		
	Share capital	10,00,000	7,00,000
	Profit and loss balance	2,50,000	1,50,000
	Proposed dividend	50,000	40,000
	Total	13,00,000	8,90,000
II	Assets:		
	Plant and machinery	8,00,000	5,00,000
	Stock	1,00,000	75,000
	Cash	4,00,000	3,15,000
	Total	13,00,000	8,90,000

Additional information:

a) ₹ 50,000 depreciation has been charged on plant and machinery during the year 2011.
b) A piece of machinery costing ₹ 12,000 (book value ₹ 5,000) was sold at 60% profit on book value. Prepare cash flow statement.