

KENDRIYA VIDYALAYA SANGATHAN

ERNAKULAM REGION

SECOND PRE BOARD EXAMINATION – JANUARY 2019

ACCOUNTANCY

Time Allowed - 3 Hrs.

Max. Marks - 80

General Instructions:-

1. This question paper contains parts A and B.
2. All parts of a question should be attempted at one place.

Part A

Accounting for Not-for-Profit Organizations, Partnership Firms and Companies

1. Stock with book value `16,000 was taken over Akansha, a partner, at `12,000. Journalize the transaction at the time of dissolution of the firm. 1
2. List two items that need adjustments in the books of accounts of a firm at the time of admission of a partner.

OR

- State two main rights that a newly admitted partner acquires in the firm. 1
3. Distinguish between Income and Expenditure Account and Receipts and Payments Account on the basis of its nature.

OR

- Why does a Not-for-Profit Organization prepare an Income and Expenditure Account instead of Profit and Loss Account? 1
4. Sunil and Neerav are partners in a firm sharing profits in the ratio of 5:3. During the year Sunil had withdrawn `40,000. Interest on his drawings amounted to `2,000. Pass necessary journal entry for charging interest on drawings assuming that the capitals of the partners were fluctuating. 1
 5. Jamuna, Ganga and Krishna are partners in a firm. Krishna retired from the firm. After making adjustments for Reserves and Revaluation of Assets and Liabilities, the balance in Krishna's capital account was `1, 20,000. Jamuna and

Ganga paid ₹1, 80,000 in full settlement to Krishna. Identify the Item for which Jamuna and Ganga paid ₹60,000 more to Krishna. 1

6. What is meant by debentures issued as Collateral security?

OR

What is meant by Employee Stock Option Plan? 1

7. The total capital of the firm of Sakshi, Mehak and Megha is ₹1, 00,000 and the market rate of interest is 15%. The net profits for the last 3 years were ₹30,000, ₹36,000 and ₹42,000. Goodwill is to be valued at two years purchase of the last three years' super profit. Calculate the goodwill of the firm. 3

8. Mona Ltd. has issued 20,000, 9% debentures of ₹100 each of which half the amount is due for redemption on 31st March 2018. The company has in its Debenture Redemption Reserve Account a balance of ₹4, 40,000. Investment as required by law was made in government securities. Record necessary journal entries at the time of redemption of debentures. 3

9. Fill in the blanks in the following entries: 3

X Ltd Journal

Date	Particulars	L.F	Dr.(₹)	Cr. (₹)
	Sundry Assets A/C Dr		18,00,000	
	To Sundry Creditors A/C			2,00,000
	To -----		
	To -----		
	(Being business of Rohan & Co. purchased for a consideration of ₹15,00,000)			
	
	Dr.		
	
	Dr.			
	To 9 % Debentures A/C		

	(Being paid to Rohan & Co. by issue of ----; 9% Debentures of `150 each at a discount of `50 per debenture)		
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OR

P Ltd. Purchased land worth `19, 80,000. The vendors were paid by issue of 12% debentures of `100 each at a discount of 10%. Pass necessary journal entries in the books of P Ltd.

10. From the following information, calculate the amount of subscriptions to be credited to the Income and Expenditure Account for the year 2017-18: 3

Particulars	`
Subscriptions received during the year	30,000
Subscriptions outstanding on 31st March 2017	8,000
Subscriptions outstanding on 31st March 2018	4,500
Subscriptions received in advance on 31st March 2017	6,000
Subscriptions received in advance on 31st March 2018	3,500
Subscriptions of `3,000 are still in arrears for the year 2016-17	

11. A, B and C were partners in a firm sharing profits in the ratio of 2:2:1. Their Balance sheet as at 31st March ,2018 was as follows:

Balance Sheet *as at 31st March , 2018*

Liabilities	(`)	Assets	(`)
Creditors	30,000	Land	85,000
Bills Payable	20,000	Building	50,000
Outstanding Expenses	25,000	Plant	1,00,000
General Reserve	50,000	Stock	40,000
Capital:		Debtors	25,000
		Cash	5,000
A	50,000		
B	60,000		

C	<u>70,000</u>		
		1,80,000	
		<u>3,05,000</u>	3,05,000

From April 1, 2018 the partners decided to share profits in the ratio of 1:2:3. For this purpose, it was agreed that:

- i. The Goodwill of the firm should be valued at `60, 000.
- ii. Land should be revalued at `1,00,000. Building should be depreciated by 6%.
- iii. Creditors amounting to `3,000 were not to be paid.
- iv. It was decided among the partners that General Reserve has to be distributed among the partners whereas goodwill and revised values of assets and liabilities are not to be recorded in the books.

You are required to:

Record the necessary Journal entries to give effect to the above agreement.

Show your workings clearly.

4

12. Virad, Vishad and Roma were partners in a firm sharing profits in the ratio of 5:3:2 respectively. On March 31,2018, their Balance Sheet was as under :

Balance Sheet of Virad , Vishad and Roma as on March 31,2018

Liabilities			Assets	
Capitals:			Buildings	2,00,000
Virad	3,00,000		Machinery	3,00,000
Vishad	2,50,000		Patents	1,10,000
Roma	<u>1,50,000</u>	7,00,000	Stock	1,00,000
Reserve Fund		60,000	Debtors	80,000
Creditors		1,10,000	Cash	80,000
		<u>8,70,000</u>		<u>8,70,000</u>

Virad died on October 1, 2018. It was agreed between his executors and the remaining partners that:

- i. Goodwill of the firm is valued at 2 ½ years purchase of average profits for the last three years. The average profits were `1,50,000.
- ii. Interest on capital be provided at 10 % p.a
- iii. Profit for the year 2018-19 be taken as having accrued at the same rate as that of the previous year which was `1,50,000.

Prepare Virad's Capital Account to be presented to his executors as on October 1, 2018. 4

13. Following is the Receipts and Payments Account of City Youth Association for the year ended 31st March, 2018:

Receipts	(₹)	Payments	(₹)
To Balance b/d	10,000	By Salaries	15,000
To Subscriptions	52,000	By Billiards Table	20,000
To Entrance Fee	5,000	By office expenses	6,000
To Tournament Fund	26,000	By Tournament Expenses	31,000
To Sale of old Newspapers	1,000	By sports equipments	40,000
To Legacy	37,000	By Balance c/d	19,000
	1,31,000		1,31,000

Additional Information:

- i. On 31st March, 2018 Subscriptions outstanding was `2,000 and on 31st March, 2017 Subscription outstanding was `3,000.
 - ii. Salary outstanding on 31st March 2018 was `1,500.
 - iii. On first April, 2017 the club had building `75,000, furniture `18, 000, 12% investment `30,000 and sports equipments `30,000.
 - iv. Depreciation charged on fixed assets including purchases was 10% p.a.
- Prepare Income and Expenditure Account of the association for the year ended 31st March 2018. 6

14. A, B and C were partners in a firm. On 1st April, 2017 their capitals stood as `5,00,000; `2,50,000 and `2,50,000 respectively. As per provisions of the partnership deed :

- i. C was entitled for a salary of `5,000 per month.

- ii. A was entitled for a commission of `80,000 p.a.
- iii. Partners were entitled to interest on capital @ 6% p.a
- iv. Partners will share profits in the ratio of capitals.

Net profit for the year ended 31.03.2018 was `3, 00,000 which was distributed equally, without taking into consideration the above provisions. Showing your workings clearly, pass necessary adjustment entry for the above. 6

OR

Anwar, Biswas and Divya are partners in a firm. Their capital accounts stood at `8, 00,000, `6, 00,000 and `4, 00,000 respectively on 1st April 2017. They shared profits and losses in the ratio of 3:2:1. Partners are entitled to interest on capital @6%p.a. and salary to Biswas and Divya @ `4,000 per month and `6,000 per quarter respectively.

Biswas' share of profit including interest on capital but excluding salary is guaranteed at a minimum of `82,000 p.a. Any deficiency arising on that account shall be borne by Divya. Profit for the year ended 31st March 2018 amounted to `3, 12,000. Prepare Profit and Loss Appropriation A/c for the year ended 31st March 2018.

15. Shanti and Satya were partners in a firm sharing profits in the ratio of 4:1. On 31st March ,2018 their Balance Sheet was as follows:

Balance Sheet of Shanti and Satya as at 31st March 2018

Liabilities	(`)	Assets	(`)
Creditors	45,000	Bank	55,000
Workmen Compensation Fund	40,000	Debtors	60,000
Satya's Current Account	65,000	Stock	85,000
Capitals		Furniture	1,00,000
Shanti	2,00,000	Machinery	1,30,000
Satya	1,00,000	Shanti's Current Account	20,000
	4,50,000		4,50,000

On the above date the firm was dissolved:

- i. Shanti took over 40 % of the stock at 10 % less than its book value and the remaining stock was sold for 40,000. Furniture realized `80,000.
 - ii. An unrecorded investment was sold for `20,000. Machinery was sold at a loss of `60,000
 - iii. Debtors realized `55,000
 - iv. There was an outstanding bill for repairs for which `19,000 were paid.
- Prepare Realization Account. 6

16. KS Ltd. invited applications for issuing 1, 60,000 equity shares of `10 each at a premium of `6 per share. The amount was payable as follows:

On Application `4 per share (including premium `1share)

On Allotment `6 per share (including premium `3 per share)

On first and Final Call – Balance.

Applications for 3, 20,000 shares were received. Applications for 80,000 shares were rejected and application money refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Jain holding 800 shares failed to pay the allotment money. His shares were forfeited immediately after allotment. Afterwards the final call was made. Gupta who had applied for 1,200 Shares failed to pay the final call. These shares were also forfeited. Out of the forfeited shares 1,000 shares were re-issued at `8 per share fully paid up. The re-issued shares included all the forfeited shares of Jain.

Pass necessary journal entries for the above transactions in the books of KS Ltd. 8

OR

Jeevan Dhara Ltd. invited applications for issuing 1, 20,000 equity shares of `10 each at a premium of `2 per share. The amount was payable as follows:

On application – `2 per share

On allotment – `5 per share (including premium)

On first and Final Call- Balance.

Applications for 1, 50,000 were received. Shares were allotted to all the applicants on pro-rata basis. Excess money received on applications was adjusted towards sum due on allotment. All calls were made. Manu who had applied for 3,000 shares failed to pay the amount due on allotment and first and final call. Madhur who was allotted 2,400 shares failed to pay the first

and final call. Shares of both Manu and Madhur were forfeited. The forfeited shares were reissued at `9 per share as fully paid up.

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

17. Mohan and Mahesh were partners in a firm sharing profits in the ratio of 3:2.

On 1st April, 2018 they admitted Nusrat as partner in the firm. The balance sheet of Mohan and Mahesh on that date was as under:

Liabilities			Assets	
Creditors		2,10,000	Cash in hand	1,40,000
Workmen Compensation Reserve		2,50,000	Debtors	1,60,000
General Reserve		1,60,000	Stock	1,20,000
Capitals:			Machinery	1,00,000
Mohan	1,00,000		Building	2,80,000
Mahesh	<u>80,000</u>	1,80,000		
		8,00,000		8,00,000

It was agreed that:

- i. The value of Building and Stock be appreciated to `3,80,000 and `1,60,000 respectively.
- ii. The liabilities of workmen's compensation reserve was determined at `2,30,000.
- iii. Nusrat brought in her share of goodwill `1,00,000 in cash.
- iv. Nusrat was to bring further cash as would make her capital equal to 20% of the combined capital of Mohan and Mahesh after above revaluation and adjustments are carried out.
- v. The future profit sharing ratio will be for Mohan 2/5th, Mahesh 2/5th, Nusrat 1/5th.

Prepare Revaluation account, Partners 'Capital accounts and Balance sheet of the new firm. Also show clearly the calculation of capital brought by Nusrat. 8

OR

X, Y, and Z were partners in a firm sharing profits in the ratio of 5:3:2. On 31st March, 2018 their balance sheet was as follows:

Liabilities			Assets		
Creditors		21,000	Land and Building		62,000
Investment Fluctuation fund		10,000	Motor Vans		20,000
Profit and Loss A/C		40,000	Investments		19,000
Capitals:			Machinery		12,000
X	50,000		Stock		15,000
Y	40,000		Debtors	40,000	
Z	<u>20,000</u>	1,10,000	Less: Provision	<u>3,000</u>	37,000
			Cash		16,000
		1,81,000			1,81,000

On the above date, Y retired and X and Z agreed to continue the business on the following terms:

- i. Goodwill of the firm was valued at `51,000.
- ii. There was a claim of `4, 000 for Workmen's compensation.
- iii. Provision for bad debts was to be reduced by `1000.
- iv. Y will be paid `8,200 in cash and the balance will be transferred to his loan account which will be paid in four equal yearly installments together with interest @ 10%p.a
- v. The new profit sharing ratio between X and Z will be 3:2 and their capitals will be in their new profit sharing ratio .The capital adjustments will be done by opening current accounts.

Prepare Revaluation Account, Partners' Capital Account, and the Balance sheet of the reconstituted firm.

Part B: Financial Statement Analysis

18. Payment for purchase of goodwill is classified under which activity in Cash Flow statement?

19. State the primary objective of preparing the Cash Flow Statement. 1

20. Under which major heads and subheads of the Balance Sheet of a company, will the following items be shown:-

i) Bank overdraft (ii) Trademarks (iii) Calls-in-Advance (iv) Bonds 4

21. a) A business has a current ratio of 3.5:1 and quick Ratio of 2:1. If the excess of current assets over current liabilities as represented by inventory is `1, 50,000 calculate current assets and current liabilities.

b) Calculate 'Total Assets to Debt Ratio' from the following information. Shareholders' Funds `1, 60,000; Total debt `3, 60,000 and Current liabilities `40,000 4

22. From the following Balance Sheets of X Ltd. As at 31st March 2017 and 2018, Prepare a common size Balance Sheet: 4

Particulars	Note No	31 st March 2018	31 st March 2017
EQUITY AND LIABILITIES			
1. Shareholder's Funds			
a. Share Capital		80,00,000	60,00,000
b. Reserves and Surplus		12,00,000	8,00,000
2. Non – Current Liabilities			
Long term Borrowings		24,00,000	20,00,000
3. Current Liabilities			
Trade Payables		4,00,000	12,00,000
Total		1,20,00,000	1,00,00,000
I. ASSETS			
1. Non - Current Assets			
Fixed Assets:			
a. Tangible		80,00,000	60,00,000
b. Intangible		4,00,000	12,00,000
2. Current Assets			

a. Inventories		24,00,000	20,00,000
b. Cash and Cash Equivalents		12,00,000	8,00,000
Total		<u>1,20,00,000</u>	<u>1,00,00,000</u>

OR

Prepare a Comparative Statement of Profit and Loss from the following information.

Particulars	Note	31 st March	31 st March
i.	No.	2018 (₹)	2017 (₹)
Revenue from Operation		48,00,000	30,00,000
Employee Benefit Expenses		22,00,000	18,00,000
Other Expenses		2,00,000	4,00,000
Tax Rate		30%	30%

23. From the following Balance sheet of Solar Power Ltd. Prepare Cash Flow Statement as per AS-3 (revised) for the year ending March 31, 2018.

Particulars	Note No	31.03.2018	31.03.2017
<i>I EQUITY LIABILITIES</i>			
1. Shareholder's Funds :			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves and Surplus	1	3,00,000	2,00,000
2. Non-Current Liabilities			
Long Term Borrowings		2,40,000	1,70,000
3. Current Liabilities			
(a) Trade Payables		1,79,000	2,04,000
(b) Short Term Provisions		50,000	77,000
Total		<u>19,69,000</u>	<u>17,51,000</u>
<i>II ASSETS</i>			

1. Non -Current Assets:			
(a) Fixed Assets :			
(i) Tangible	2	10,70,000	8,50,000
(ii) Intangible	3	40,000	1,12,000
2. Current Assets:			
(a) Current Investments		2,40,000	1,50,000
(b) Inventories		1,29,000	1,21,000
(c) Trade Receivables		1,70,000	1,43,000
(d) Cash and Cash Equivalents		3,20,000	3,75,000
Total		19,69,000	17,51,000

Notes to Accounts:

SL No	Particulars	31.03.2018	31.03.2017
1	Reserves and Surplus: Surplus, i.e., Balance in Statement of Profit and Loss	3,00,000	2,00,000
2	Tangible Assets: Machinery Less Accumulated Depreciation	12,70,000 (2,00,000) 10,70,000	10,00,000 1,50,000 8,50,000
3	Intangible Assets: Goodwill	40,000	1,12,000

Additional Information:

During the year a piece of machinery, costing `24,000 on which accumulated depreciation was `16,000 was sold for `6,000

Prepare Cash Flow Statement.