KENDRIYA VIDYALAYA ERNAKULAM REGION

FIRST PRE-BOARD EXAMINATION 2018-19

ACCOUNTANCY

TIME ALLOWED: 3 HOURS MAX.MARKS: 80

GENERAL INSTRUCTIONS:

1. This question paper contains two parts A and B.
2. Part A and B are compulsory for all.
3. All parts of a question should be attempted at one place.

PART A

(ACCOUNTING FOR PARTNERSHIP FIRMS AND COMPANIES)

1. Distinguish between 'Dissolution of partnership' and 'Dissolution of partnership firm' on the basis of 'Economic relationship'. (1)
2. Meena and Seena were partners in a firm. They wanted to admit two more members in the firm. List the categories of individuals other than minors who cannot be admitted by them? (1)

OR

Calculate the value of goodwill at 2year's purchase of super profit when: Capital employed Rs 5,00,000; Average profit Rs 70,000 and normal rate of return is 10%. (1)

3. A, B and C are partners sharing profits in the ratio of 1/10, 2/5, ½. C retired from the firm. Calculate the new ratio of the remaining partners. (1)
4. One of the partners in a partnership firm has withdrawn Rs 12,000 at the end of each quarter, throughout the year. Calculate interest on drawings at the rate of 12% per annum.
5. What is meant by Employees Stock Option Plan? (1)

OR

What is meant by issue of debentures as a collateral security?

6. State any two items which are shown in the Receipts and Payments accounts but are not shown in the Income and Expenditure Account. (1)

OR

What will be the treatment of "Subscription received in advance" during the current year in the Balance sheet of a Not for Profit Organization?

7. Pass journal entries for issue of debentures in each of the following cases:
   1) 8% Debentures of Rs 100 each issued at 10% discount; redeemable at 10% premium.
   2) 8% Debentures of Rs 100 each issued at 10% premium; redeemable at 10% premium. (3)

OR

Jan Dhan Bank, an All India Financial Institution, had 20,000, 10 % debentures of Rs 100 each, outstanding as at 31st March, 2017. These debentures were due for redemption on 30th November, 2018. Pass necessary Journal Entries for redemption of debentures. Also, state the amount of Debenture Redemption Reserve to be created for the purpose of redemption. (3)

8. From the following information , determine the amount to be debited to stationery account in Income and Expenditure account for the year ended 31st March 2018:

Stock of stationery on 01/04/17	50,000
Creditors for stationery on 01/04/17	25,000
Amount paid for stationery during the year ended 31/03/18	2,05,000
Stock of stationery on 31/03/18	10,000
Creditors for stationery on 31/03/18	20,000

(3)

9. X and Y are partners sharing profits and losses equally. On 1st April 2018, they decided to share future profits and losses in the ratio of 5:7. An extract of their Balance Sheet as at 31st March 2018 is as follows:

Extract of Balance Sheet as at 31st March 2018

LIABILITIES	RS	ASSETS	RS
Investment Fluctuation Reserve	25,000	Investments	5,00,000

Pass journal entries in each of the following cases:
1) When market value of investment is Rs 4,95,000.
2) When market value of investment is Rs 5,50,000. (3)

10. ABC Ltd purchased machinery from PQR Ltd and payment was made as follows:
1) By issuing 10,000equity shares of Rs 10 each at a premium of 10%.
2) By issuing 1,000 9% debentures of Rs 100 each at a discount of 10%.
3) Balance by accepting a bill of exchange of Rs 50,000 payable after one month.

Journalise these transactions in the books of ABC Ltd. (3)

11. Mansi and Seena are partners in a firm, sharing profits in the ratio of 3:2. They admit Reena as a partner with ¼ th share in the profits of the firm. Reena brings Rs 8,00,000 as her share of capital. The value of the total assets of the firm was Rs 16,00,000 and outside liabilities were valued at Rs 2,00,000 on that date.

Give the necessary journal entries to record goodwill at the time of Reena's admission. Show your workings clearly. (4)

12. L and M were partners in a firm sharing profits in the ratio of 5:3. On 1st April 2017 they admitted N as a new partner for 1/8th share in the profits with a guaranteed profit of Rs75,000. The new profit sharing ratio between L and m remain the same but they agree to bear any deficiency on account of guarantee to N in the ratio of 3:2. The profits of the firm for the year ended 31st March 2018 was Rs 4,00,000.

Prepare Profit and Loss Appropriation account of L, M and N for the year ended 31st March 2018. (4)

13. Smart club has been established on 1st April 2017. Following is their Receipts and Payments Accounts for the year ended 31st march 2018.

Dr. **Receipts and Payments Account for the year ended 31st March 2018** Cr.

Receipts	RS	Payments	RS
To Entrance fees	5,000	By Rent	1,000
To Legacies	12,000	By Salary	4,500
To Sale of old news papers	1,500	By Maintenance charges	2,440
To Subscriptions	10,000	By Furniture	5,000
To Surplus from annual event	1,500	By Honorarium	1,000
To Life membership fees	9,000	By Conveyance	500
		By Books	2,000
		By Balance c/d	22,560
	39,000		39,000

Additional information:

1) Legacy donation is without any specific use.
2) Maintenance charges Rs 1,000 were unpaid.
3) Rent outstanding Rs 500.
4) Subscriptions outstanding for the year ended 31st March 2018 were Rs 500.

Prepare Income and Expenditure Account for the year ended 31st March 2018 . (6)

14. A, B and C are partners in a business sharing profits and losses 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	RS	ASSETS	RS
Sundry Creditors	2,00,000	Cash at Bank	40,000
General Reserve	1,00,000	Stock	60,000
Capital A/cs:		Sundry Debtors	1,60,000
A 1,20,000		Investments	1,40,000
B 2,00,000		Furniture	70,000
C 80,000	4,00,000	Building	2,30,000
	7,00,000		7,00,000

C died on 30th September 2018. The partnership deed provided following:

1) Deceased partner will be entitled to his share of profit up to the date of death calculated on the basis of previous year's profit.
2) He will be entitled to his share of goodwill of the firm calculated on the basis of 3 year's purchase of average of last 4 year's profit.

Profits for the last four financial years are: for 2014-15: Rs 1,60,000; for 2015-16: Rs 1,00,000; for 2016-17: Rs 80,000; for 2017-18:Rs 60,000.

3) Drawings of the deceased partner up to the date of death amounted to Rs 20,000.
4) Interest on capital is to be allowed at 12% per annum.

Show C's capital account. (6)

15. X, Y and Z are partners in a firm sharing profits in the ratio of 5:3:2. On 31st March 2018, the Balance sheet of the firm stood as follows:

LIABILITIES	RS	ASSETS	RS
Capitals:		Fixed assets	2,50,000
X 2,00,000		Stock	1,10,000
Y 1,00,000		Book debts	90,000
Z 80,000	3,80,000	Cash at bank	20,000
General reserve	30,000		
Creditors	53,000		
Outstanding expenses	7,000		
	4,70,000		4,70,000

On the above date Y decides to retire from the firm,

1) Goodwill is to be valued at 1,90,000.
2) Fixed assets be valued at Rs 3,00,000.
3) Stock be considered worth Rs 10,000.
4) A liability of Rs 1,900 for outstanding rent has not been shown in the books of the firm.
5) Insurance premium amounting to Rs 5,700 was debited to profit and loss account, of which Rs 1,900 is related to next year.

Prepare Revaluation account and Y's Capital Account. (6)

OR

The partners of a firm, A, B and C distributed the profits for the year ended 31st March, 2017, Rs 80,000 in the ratio of 3:3:2 without providing for the following adjustments:

a) A and C were entitled to a salary of Rs 1,500 each p.a.
b) B was entitled for a commission of Rs 4,000
c) B and C had guaranteed a minimum profit of Rs 35,000 p.a. to A. any deficiency to borne equally by B and C.

Pass the necessary Journal entry for the above adjustments in the books of the firm.
Show workings clearly. (6)

16. A and B were partners in a firm sharing profits in the ratio of 3:2. On 1st April 2017 they admit C as a partner in the firm. The Balance sheet of A and B on that date was as under:

Balance sheet of A and B as at 1st April 2017

LIABILITIES	RS	ASSETS	RS
Creditors	2,10,000	Cash in hand	1,40,000
Workmen's compensation Reserve	2,50,000	Debtors	1,60,000
General Reserve	1,60,000	Stock	1,20,000
Capitals:		Machinery	1,00,000
A 1,00,000		Building	2,80,000
B 80,000	1,80,000		
	8,00,000		8,00,000

It was agreed that:

1) The value of building and stock be appreciated to 3,80,000 and 1,60,000 respectively.
2) The liabilities of workmen's compensation reserve was determined at 2,30,000.
3) C brought in his share of goodwill Rs 1,00,000 in cash.
4) C was to bring further cash as would make her capital equal to 20% of the combined capital of A and B after above revaluation and adjustments are carried out.
5) The future profit sharing ratio will be for A 2/5th B 2/5th and C 1/5th.

Prepare Revaluation account, Partner's capital account and Balance sheet of the new firm. Also show clearly the calculation of capital brought by C. (8)

OR

Following is the Balance sheet of Anil & Sunil, who are running a chemical factory, sharing profits and losses in the ratio of 3:2. The effluents discharged from the factory polluted the surrounding environment. Due to the repeated complaint from neighbouring community the court ordered to discontinue. On 31st Dec 2017 they decided to dissolve the Partnership.

BALANCE SHEET AS ON 31-12-2017

Liability	Amount	Asset		Amount
Capital:		Plant & Machinery		80000
Anil	30000	Land and building		61000
Sunil	40000	Investment		60000
Creditors	75000	Bill receivable		15000
Bills payable	30000	Debtors	40500	
Mrs. Anil's loan	25000	Provision for bad debt	1000	39500
Workmen's compensation Fund	8000	Stock		25000
Bank loan	50000	Cash		4500
Reserve fund	27000			
	285000			285000

On the above date the following arrangements were made.

a) Anil promised to pay off Mrs.Anil's loan and took away half the investments at 10% discount.
b) Stock and remaining investments were sold at 10% discount.

c) Goodwill was taken over by Sunil for Rs40000. He also agreed to pay off bill payable at a discount of 10%.
d) Debtors realized Rs35000, Bills receivable-Rs13500, Plant and machinery-Rs38900, Building-Rs120000.
e) Creditors were paid 90% in full and final settlement of their due.
f) Dissolution expenses amounted to Rs1700 which was paid by Sunil.
g) There was a car in the firm which was completely written off and taken over by Anil for Rs23400.

Prepare realization account, Capital accounts and Bank account.

17. Max Ltd. Issued 50,000 shares of Rs 10 each at a premium of Rs 2 per share payable as Rs 3 on application, Rs 5 including premium on allotment and the balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under:

A) Applicants of 40,000 shares -Allotted 30,000 shares

B) Applicants of 40,000 shares -Allotted 20,000 shares

C) Applicants of 12,000 shares - NIL

Kiran who had applied for 2,000 shares (Category A) did not pay any money other than application money.

Charan, who was allotted 800 shares (Category B) paid the call money due along with allotment. All other shareholders paid their dues as per schedule.

Pass necessary journal entries in the books of Max Ltd. (8)

OR

Kanjana Ltd was registered with an authorised capital of Rs 2,00,000 divided into 20,000 Equity shares of Rs 10 each, 6,000 of these shares were issued to the vendor Puneeth Ltd for land purchased. 8,000 shares were issued to the public and Rs 5 per share were called up as follows:

On application- Rs 2 per share

On allotment- Rs 1 per share

On first call- Balance of the called up amount

The amounts received on these shares were as follows:

On 6,000 shares – full amount called

On 1,250 shares –Rs 3 per share

On 750 shares – Rs 2 per share

The directors forfeited 750 shares on which Rs 2 per share were received. The forfeited shares were reissued at Rs 9 per share as fully paid up. Pass necessary journal entries for the above transactions in the books of Kanjana Ltd. (8)

PART B

ANALYSIS OF FINANCIAL STATEMENTS

18. What is meant by cash and cash equivalents? (1)

19. State a transaction that is always classified as a financing activity for every enterprise while preparing Cash flow statement. (1)

20. The current ratio of a company is 2.1:1.2. state with reasons, which of the following transactions will increase, decrease or no change in the ratio:
    1) Received from debtors Rs 20,000.
    2) Issued Rs 5,00,000 equity shares to the vendors of land.
    3) Accepted bill of exchange drawn by the creditors Rs 12,000.
    4) Redeemed 5% debentures of Rs 3,00,000 at a premium of 5%. (4)

21. Under which head and sub heads the following items will be shown in the balance sheet of a company as per Schedule III of the Companies Act 2013.
    1) Premium on redemption of debentures.
    2) Provision for tax
    3) Mining rights
    4) Calls in advance (4)

22. From the following information, prepare a comparative statement of profit and loss of PQR Ltd. for the year ended 31st March2018. (4)

Particulars	31st March 2018	31st March 2017
Revenue from operations	Rs 20,00,000	Rs 10,00,000
Cost of materials consumed	Rs 15,00,000	Rs 6,00,000
Other expenses	12% of cost of material consumed	10% of cost of material consumed
Income Tax	40%	30%

OR

Prepare common size balance sheet of S Ltd as at 31st March 2017 and 2018 from the following information:

Particulars	Note No.	2018	2017
I. EQUITIES AND LIABILITIES			
(1) Shareholder's funds			
Share capital		80,00,000	60,00,000
Reserves and Surplus		12,00,000	8,00,000
(2) Non-current liabilities			
Long term borrowings		24,00,000	20,00,00
(3) Current liabilities			
Trade payables		4,00,000	12,00,000
TOTAL		1,20,00,000	1,20,00,000
II ASSETS			
(1) Non-current assets			
Fixed assets			
Tangible assets		80,00,000	60,00,000
Intangible assets		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		1,20,00,000	1,20,00,000

23. Following is the balance sheet of Liva Ltd as on 31st March 2018:

Particulars	Note No.	2018	2017
II. EQUITIES AND LIABILITIES			
(4) Shareholder's funds			
Share capital		7,00,000	6,00,000
Reserves and Surplus			
Ie., Balance in statement of profit and loss		2,00,000	1,10,000
(5) Non-current liabilities			
Long term borrowings		3,00,000	2,00,000
(6) Current liabilities			
Trade payables		30,000	25,000
TOTAL		12,30,000	9,35,000
III. ASSETS			
(3) Non-current assets			
Fixed assets			
Tangible assets		11,00,000	8,00,000
(4) Current assets			
Inventories		70,000	60,000
Trade receivables		32,000	40,000
Cash and cash equivalents		28,000	35,000
TOTAL		12,30,000	9,35,000

Adjustments: During the year a piece of furniture of the book value of Rs 80,000 was sold for Rs 65,000. Depreciation provided on tangible assets during the year amounted to Rs 2,00,000.

Prepare a cash flow statement. (6)

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