

Sample Paper – ACCOUNTANCY

Time Allowed: 3 Hr

Max. Marks: 80

Attempt questions in order. All parts of any question must be at one place.

Part – A [Accounting for Partnership Firms and Companies]

- 1) Current Account of a Partner
a) always have a debit balance
b) always have a credit balance
c) can never have a debit balance
d) can have a debit balance or a credit balance
Choose correct answer. 1
- 2) A and B are partners sharing profits and losses equally. The profit for the year ending 31st March, 2014 was Rs.15,00,000. Before distributing profits, they decided to donate 15% of profits to a NGO for taking care of senior citizens. Identify the value involved in it. 1
- 3) Distinguish between ‘Dissolution of partnership’ and ‘Dissolution of partnership firm’ on basis of termination of business. 1
- 4) Which type of goodwill is recorded in the books of accounts as per Accounting Standard 26? 1
- 5) When all the debentures are redeemed, the balance left in the Debenture Redemption Reserve Account is transferred to:
a) Capital Reserve A/c b) Statement of Profit & Loss c) Debentures A/c d) General Reserve A/c
Choose correct answer. 1
- 6) On 31st March, 2014, after the close of books of accounts, the capital accounts of A, B and C stood at Rs.24,000, Rs.20,000 and Rs.12,000 respectively. The profit for the year was Rs.36,000 which was distributed equally. Subsequently, it was discovered that interest on capital @ 10% p.a. had been omitted. The profit sharing ratio was 2:2:1. Pass an adjustment journal entry. 3
- 7) ABC Ltd. forfeited 800 equity shares of Rs.10 each issued at premium of Rs.3 per share for non-payment of allotment money of Rs.6 per share (including share premium Rs.3 per share) and first call of Rs.5 per share. Out of these shares, 100 shares were subsequently reissued at Rs.12 per share, fully paid up. Show journal entries for forfeiture and reissue of shares. 3
- 8) What are differences between shareholder and debentureholder on the basis of following:
a) Ownership b) Dividend / Interest c) Participation in management 3
- 9) What journal entries would you pass for the following transactions on the dissolution of firm? 4
a) Mrs. Q’s Loan of Rs.40,000 was agreed to be paid by Q, a partner.
b) Creditor of Rs.70,000 was paid at discount of 10%.
c) Realisation expenses Rs.11,000 were paid by R, a partner on behalf of the firm.
d) An unrecorded asset of Rs.15,000 is taken over by a partner, P for Rs.12,000.
- 10) Calculate the value of firm’s goodwill on the basis of three years’ purchase of the average profits for the last three years. The following were the profits of the firm for the last three years. 4

Year ending 31 st December	Profit (Rs.)
2011	Rs.5,00,000 (after charging an abnormal loss of Rs.40,000)
2012	Rs.3,80,000 (including an abnormal gain of Rs.60,000)
2013	Rs.50,000 Loss

11) Neeraj Ltd. Company purchased furniture of Rs.3,96,000 from M/s Hindustan Furniture. 50% of the amount was paid to the seller by cheque and for the balance, the company issued equity shares of Rs.10 at a premium of 10%. Pass necessary journal entries in the books of Neeraj Ltd. Company.

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12) Ishan, Siddhant and Ayush were partners having capitals of Rs.1,20,000, Rs.1,20,000 and Rs.1,60,000 respectively. Their current account balances were Rs.20,000, Rs.10,000 and Rs.4,000 (Dr.) respectively. According to the partnership deed, the partners were entitled to interest on capital @ 5% per annum. Ayush was entitled to a salary of Rs.12,000 per annum. The profits were to be divided as follows:

- The first Rs.40,000 in proportion to their capitals.
- Next Rs.60,000 in the ratio of 5 : 3 : 2.
- Remaining profit to be shared equally.

The firm made a profit to Rs.3,12,000 before charging the above items.

Journalise and also prepare Profit & Loss Appropriation Account. Show your workings clearly.

6

13) Ram, Mohan and Sohan were partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2014, their Balance Sheet was as under:

Liabilities		Rs.	Assets		Rs.
Capital A/cs:			Leasehold		1,25,000
Ram	1,50,000		Patents		30,000
Mohan	1,25,000		Machinery		1,50,000
Sohan	<u>75,000</u>	3,50,000	Stock		1,90,000
Workmen's Compensation Reserve		30,000	Cash at Bank		40,000
Creditors		1,55,000			
		<u>5,35,000</u>			<u>5,35,000</u>

Sohan died on 1st August, 2014. It was agreed that:

- Machinery be valued at Rs.1,40,000; Patents at Rs.40,000; Leasehold at Rs.1,50,000 on this date.
- Goodwill of the firm be valued at Rs.1,75,000.
- For the purpose of calculating Sohan's share in the profits of 2013-14, the profits should be taken to have accrued on the same scale as in 2013-14, which were Rs.75,000.

Show Sohan's Capital A/c and Revaluation A/c. Show workings.

6

14) a) P Ltd. issued Rs.83,60,000, 9% debentures of Rs.100 each on 1st April, 2011. In terms of issue, it was stated that the debentures were to be redeemed at a premium of 5% on 30th June, 2014. The company decided to transfer out of profits Rs.24,20,000 to Debenture Redemption Reserve on 31st March, 2013 and Rs.17,60,000 on 31st March, 2014.

Pass necessary journal entries regarding issue and redemption of debentures. Ignore entries for interest.

b) Classify the types of debentures on the basis of (i) Redemption and (ii) Registration. Discuss for them.

6

15) P, Q and R were sharing profits and losses in their capital ratio. Their Balance Sheet as at 31st March, 2014 was as under:

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		37,800	Machinery		84,000
Capital A/cs:			Buildings		1,75,000
P	1,40,000		Stock		31,500
Q	1,05,000		Debtors	35,000	
R	<u>70,000</u>	3,15,000	Less: provision for doubtful debts	<u>700</u>	34,300
			Cash		14,000
			Bank		14,000
		<u>3,52,800</u>			<u>3,52,800</u>

Q retired on 1st April, 2014. They agreed to following adjustments in the books of accounts to decide Q's share:

- Machinery to be valued at Rs.67,200.
- Buildings to be appreciated to Rs.2,10,000.
- The provision for doubtful debts to be increased to 5% on debtors.
- Goodwill of the firm is valued at Rs.1,26,000.
- Out of total insurance premium paid, Rs.5,250 to be treated as prepaid insurance. This amount was earlier debited to Profit and Loss Account.
- Total capital of the firm after Q's retirement to be Rs.3,15,000 in their profit sharing ratio i. e. actual cash to be paid to partner or to be brought in, as the case may be.

Show Revaluation Account, Partners' Capital Account and Balance Sheet after Q's retirement. Show workings.

Or

Ajay and Vijay were partners in a firm sharing profits and losses in ratio of 5 : 3. They admit Raju as partner with 1/5th share contributed according to the proportionate capital. The financial position was as under:

Liabilities		Rs.	Assets		Rs.
Creditors		19,000	Goodwill		10,000
Bills Payables		8,000	Land & Building		25,000
Capital A/cs:			Plant & Machinery		35,000
Ajay	55,000		Stock		20,000
Vijay	<u>30,000</u>	85,000	Debtors		25,000
General Reserve		16,000	Investments		14,000
Provision for Bad Debts		1,500	Cash		2,400
Outstanding Salary		2,400	Prepaid Insurance		500
		<u>1,31,900</u>			<u>1,31,000</u>

The agreed to admit Raju, a new partner, on the following terms:

- Raju brings in Rs.5,200 as his share of goodwill in cash.
- Land and Building; Plant and Machinery were to be valued at Rs.38,000 and Rs.30,000 respectively.
- The provision for bad and doubtful debts was to be maintained upto Rs.1,000.
- A liability for Rs.1,200 included in Sundry Creditors was not likely to arise.
- Rs.10,000 of investments were taken over by old partners in their profit sharing ratio.
- Vijay was to withdrew Rs.2,400 in cash.
- An amount of Rs.100 was outstanding for repairs.
- The capitals of the partners to be adjusted in new profit sharing ratio by opening current accounts.

Prepare Revaluation A/c, Partners' Capital Account and Balance Sheet on admission of Raju. Show workings. 8

16) X Ltd. invited applications for issuing 2,00,000 equity shares of Rs.10 each. The amount was payable as follows:

On application Rs.2.50; On allotment Rs.5.00; On first and final call Rs.2.50

Application for 3,50,000 shares were received and the allotment was made as follows:

Category	Shares Applied	Shares Allotted
I	50,000	40,000
II	1,00,000	60,000
III	2,00,000	1,00,000

All the shares were allotted on pro-rata basis and excess application money was adjusted towards sums due on allotment. Mohan, who belonged to category I and to whom 800 shares were allotted failed to pay the allotment money. His shares were forfeited immediately after the allotment was not received.

Sonam, who belonged to category III and who had applied for 400 shares failed to pay final call. Her shares were also forfeited after the final call.

Out of forfeited shares, 80% shares were reissued as fully paid up @ 11per share. The reissued shares included all forfeited shares of Sonam. Pass the necessary journal entries in the books of X Ltd. Show workings.

Or

M Ltd. issued 30,000 equity shares of Rs.10 each at a discount of Rs.1 per share (on allotment) payable as follows: Rs.3 per share on application; Rs.2 per share on allotment; Rs.4 per share on first call.

Applications for 40,000 shares were received. Allotment was made as follows:

List I. Applicants of 5,000 shares were allotted in full.

List II. Applicants of 15,000 shares were allotted 10,000 shares on pro-rata basis.

List III. Applicants of 20,000 shares were allotted 15,000 shares on pro-rata.

All the shareholders paid the amount due on allotment and call except X (who was allotted 1,000 shares under List II) and Y (who was allotted 1,500 shares under List III). They did not pay any money due on allotment and first call. Their shares were forfeited and reissued at Rs.8.50 per share fully paid up.

Pass the necessary journal entries to record the above transactions. Show workings. 8

Part – B [Analysis of Financial Statements]

17. State whether 'repayment of long term loan' will result in increase / decrease / no change in Debt Equity Ratio. 1

18. Mention an investing activity which results into outflow of cash. 1

19. Which of the following transactions will not be shown in Cash Flow Statement? 1

- a) Conversion of debentures into shares b) Income tax refund
c) Issue of 5% Preference shares d) Dividend proposed on Equity shares

20. State the major headings and sub-headings under which the following items will be put as per Schedule VI Part-I of the Companies Act, 1956: 3

- a) 12% Debentures b) Provision for Tax c) Goodwill

21. From the following Statement of Profit & Loss of Golden Ltd. for the year ended 31st March, 2013 and 2014, prepare Common-Size Statement of profit and loss. 4

Particulars	Note No.	2013 (Rs.)	2014 (Rs.)
Revenue from operations		4,00,000	5,00,000
Cost of Revenue from operations		2,40,000	3,50,000
Employee Benefit Expenses		20,000	45,000
Tax Expenses		40%	40%

22. Calculate Net Profit Ratio from the following information: 4

- a) Gross Profit Ratio 25% on cost of Revenue from operations
b) Cash Revenue from operations were Rs.3,00,000.
c) Credit Revenue from operations were 90% of Total Revenue from operations.
d) Indirect Expenses were Rs.25,000.

23. Calculate 'Cash Flows from Operating Activities' from the following Statement of Profit & Loss of Mehra Ltd. for the year ended 31st March, 2014:

Particulars	Detail (Rs.)	Amount (Rs.)
I. Revenue from Operations		7,40,000
II. Add: Other Income:		
Dividend received	40,000	
Commission accrued	<u>20,000</u>	60,000
III. Total Revenue (I + II)		<u>8,00,000</u>

IV. Less: Expenses:		=====
		2,70,000
a) Purchase of Stock in trade		
b) Change in Inventory (Opening Inventory – Closing Inventory)	40,000	
	<u>(60,000)</u>	(20,000)
c) Employee Benefit Expenses		80,000
d) Depreciation		60,000
e) Goodwill written off		40,000
f) Other Expenses:		
Manufacturing Wages	40,000	
Add: Outstanding Wages	<u>60,000</u>	1,00,000
Selling & Distribution Expenses		70,000
Rent	1,20,000	
Add: Outstanding Rent	<u>40,000</u>	1,60,000
Loss on sale of fixed assets		1,00,000

Total Expenses (a + b + c + d + e + f)		8,60,000
		=====
V. Loss before Tax (III – IV)		(60,000)

By:

AVINASH KUMAR SINHA

Sinha Accounts

Bokaro Steel City, Jharkhand

09031717104

Sinha Accounts