

MAR THOMA RESIDENTIAL SCHOOL, TIRUVALLA
SECOND TERM EXAMINATION 2017
ACCOUNTS

Marks:80
Time:3hr

Class: XII

Part-I

I. Answer the following:

1. What is purchased Goodwill? Give any two features of purchased goodwill.
2. Can securities Premium Reserve be distributed as dividend? Why?
3. Glory Ltd. Is to redeem 10% Debentures of Rs 100 each as follows:
On 31st July, 2017-2000 debentures
On 31st December, 2017-3000 debentures
How much amount should be invested in specified securities and by which date should it be invested?
4. What is meant by 'current Maturities of Long-term debts'? How is it disclosed in the Balance sheet of a company?
5. What is Hidden goodwill? How is disclosed in the Balance sheet of a company?
6. What is meant by redemption of debentures by 'Purchase in the open market'?

(12)

Part-II
Section A

Answer any four questions:

- II. (a) X Ltd. Purchased the assets of Y Ltd. For 200000. It also agreed to take over the liabilities of Y Ltd. Amounting to 50000Rs for a purchase consideration of Rs160000. The payment of Y Ltd. Was made by issue of 12% Debentures of Rs 100 each at Par. Pass necessary Journal entries in the books of X Ltd. (3)
- (b) Sky Ltd. Purchased the assets of Mars Ltd. For Rs 400000 and took over liabilities of Rs 70000 at an agreed value of Rs 324000. The payment was made by issue of 11% debentures of Rs 100 each at a discount of 10%.
Pass necessary Journal entries in the books of Sky. Ltd (3)
- (c) On 1st April,2016 AB Ltd. Issued 10000, 10% Debentures of Rs 100 each at 8% Discount payable as:
Rs 40 on application;
The balance on allotment.
The debentures were to be redeemed at a premium of 5% after 5 years. All the debentures were subscribed for by the public.
Interest on those debentures was to be paid on yearly basis which was paid on the due date by the company. You are required to:
i. Pass journal entries for the issue of debentures(including entries for Debentures interest).
ii. Prepare 10% Debentures account (6)
- III. (a) X and Y are partners in a firm sharing profits in the ratio 2:3. On 1st April,2017, they admit Z as a new partner for 1/4th share in the profits. The new ratio will be 3:3:2. Z contributed following assets for his share of capital and goodwill:
Building Rs300000 and machinery Rs 140000. On the date of admission, firm's goodwill was valued at Rs 480000. Pass the necessary Journal entries in the books of the firm on Z's admission.(4)

(b) Ashok and Ram are partners sharing profits and losses in the ratio 3:2. Their capitals on January, 2017 were Rs 80000 and Rs 60000 respectively. They admitted Vijay into the partnership from that date giving him $\frac{1}{5}$ th share in the future profits, which he acquired equally from Ashok and Ram. Vijay is to bring in cash Rs 60000 as his share of capital. Find the new profit-sharing ratio and value of goodwill of the firm. Record necessary Journal entries on Vijay's admission from the above transactions. (3)

(c) X and Y are partners in a firm sharing profits and losses in the ratio 3:2. They admit Z as a partner for $\frac{1}{5}$ th share. As between themselves, X and Y decide to share future profit and loss in the ratio 13:7. The goodwill of the firm is valued at Rs 250000. Goodwill already appears in the books of the firm to the extent of Rs 200000. Z brings in 75% of his share of goodwill and Rs 500000 as his capital by cheque. The amount of Goodwill is withdrawn by the concerned partners to the extent of 50% of what is credited to them. The profit for the first year of new partnership amount to Rs 250000.

Required: Give the necessary Journal entries to adjust goodwill and to distribute profits.

IV. Sargam Ltd. Invited applications for 80000 equity shares of Rs 100 each at a premium. The amount payable was as follows:

On application- Rs 20 per share.

On allotment- Rs 60(including premium) per share;

On First and Final Call- Rs 40 per share.

Applications for 120000 shares were received. Allotment was made on pro rata basis to all applicants. Excess money received on applications was adjusted on sums due on allotment. Aditya who had applied for 6000 shares, failed to pay the allotment money and Harnam did not pay first and final call on 800 shares allotted to him. The shares of Aditya and Harnam were forfeited. 4200 of the shares were reissued for Rs 100 per share as fully paid-up. The reissued shares included the forfeited shares of Harnam.

Pass necessary Journal entries for the above transactions in the book of Sargam Ltd.

Also prepare Forfeited Shares Account and Calls-in-Arrears Account. (12)

V. Cosco Infrastructure Ltd. Issued 12,000; 10% Debentures of Rs 100 each on 31st March, 2015, redeemable on 30th September, 2017. The board of Directors decide to transfer 25% of the nominal value of debentures to Debenture Redemption Reserve in three equal annual instalments starting from 31st March, 2015. Pass necessary Journal entries regarding issue and redemption of debentures. (12)

VI. X and Y were partners from 1st April, 2015 with capital of Rs 1,20,000 and Rs 80,000 respectively. They shared profits in the ratio of 3:2. They carried on business for two years. In the first year ended 31st March, 2016, they earned profit of Rs 1,00,000 but in the second year ended on 31st March, 2017 a loss of -

Rs 40,000 was incurred. As the business was no longer profitable, they dissolved the firm on 31st March, 2017. Creditors on that date were Rs 40,000. Each partner withdrew for personal use Rs 16,000 per year. The expenses of realisations were Rs 6,000. The assets realised Rs 2,00,000.

Prepare Realisation Account, Partners' Capital and bank account. (12)

Section B

VII. (a) From the given information, calculate the following ratios:

- i. Debt to Equity Ratio;
- ii. Working Capital Turnover Ratio;
- iii Return on Investment.

Particulars	Rs
Equity Share Capital	10,00,000
General Reserve	1,00,000
Statement of profit and loss after interest and tax	3,00,000
12% Debentures	4,00,000
Trade payables(creditors)	3,00,000
Land and Building	14,00,000
Furniture	3,00,000
Trade receivables(Debtors)	2,90,000
Cash and cash equivalents	1,10,000
Revenue from Operations(Net sales)	30,00,000
Tax Rate@50%	

(6)

(b) Profit after Tax Rs 300000; fixed interest charges Rs 50000. Income tax paid is 50% on profit. Calculate Interest Coverage Ratio. (2)

(c) Total Debt Rs 1080000; Preference Share Capital Rs120000; Equity shareholders Funds Rs 240000; Current Liabilities Rs 480000.

Calculate Debt to Total Assets Ratio. (2)

VIII. From the balance Sheets and additional information given below, prepare Cash flow Statement.

Particulars	Note No.	31 st March, 2017(Rs)	31 st March, 2016(Rs)
i. Equity and liabilities			
1. Share holders' funds			
a. Share Capital		25,00,000	15,00,000
b. Reserves and Surplus	1	7,00,000	5,00,000
2. Non-current liabilities			
Long term Borrowings (10% Bank Loan)		9,00,000	6,00,000
3. Current Liabilities			
a. Short term borrowings		1,00,000	80,000
b. Trade payables		3,00,000	2,70,000
c. Other current liabilities	2	50,000	...
d. Short term provisions	3	<u>3,50,000</u>	<u>3,00,000</u>
Total		<u>49,00,000</u>	<u>32,50,000</u>
ASSETS			
1. Non-current Assets			
a. Fixed assets:			
i. Tangible Assets (machinery)		30,00,000	16,00,000
ii. Intangible Assets (Goodwill)		3,00,000	3,50,000
b. Non-current investment		2,00,000
2. Current Assets			
a. Inventories		40,000	60,000
b. Trade Receivables		5,00,000	9,00,000
c. Cash and Bank balance		<u>8,60,000</u>	<u>3,40,000</u>
Total		<u>49,00,000</u>	<u>32,50,000</u>

Notes to accounts	31 st March, 2017(Rs)	31 st March, 2016(Rs)
Particulars		
1. Reserves and Surplus		
Surplus, i.e. Balance in Statement of profit and loss	7,00,000	5,00,000
2. Other Current Liabilities		
Unpaid interest on bank loan	50,000
3. Short-term provisions		
Proposed Dividend	2,00,000	1,90,000
Provision for Tax	<u>1,50,000</u>	<u>1,10,000</u>
Total	<u>3,50,000</u>	<u>3,00,000</u>
4. Trade Receivables		
Debtors	6,50,000	10,00,000
Less: Provision for Doubtful Debts	<u>1,50,000</u>	<u>1,00,000</u>
Total	<u>5,00,000</u>	<u>9,00,000</u>

Additional information:

- During the year, a machinery costing Rs300000, which depreciation charged was Rs 180000 sold at a profit of 25%. The profit was included in the statement of profit and loss.
- Depreciation charged on Machinery was Rs 2,00,000.
- Dividend paid during the year Rs 2,50,000.
- Additional Bank Loan was raised on 31st December, 2016.
- The income tax liability up to previous year has been settled and paid for Rs 150000.

(10)

IX. (a) Following is the statement of profit and loss of Sun Ltd. For the year ended 31st March, 2017.

Particulars	Note no.	31 st March, 2017(Rs)	31 st March, 2016(Rs)
• Revenue from Operations		25,00,000	20,00,000
• Other income		1,00,000	5,00,000
• Employee Benefit Expenses		60% of total Revenue	50% of total revenue
• Other Expenses		10% of Employee Benefit - Expenses	20% of Employee Benefit - Expenses
• Tax Rate		50%	40%

Prepare a Comparative Statement of Profit and Loss of Sun Ltd. From the given Statement of Profit and Loss.

(6)

(b) Opening Stock: Rs 60000; Closing Stock: Rs 100000; Inventory (Stock) Turnover Ratio 8 times. Selling price 25% above cost. Calculate the Gross Profit Ratio.

(2)

(c) i. Purchase of Shares/Debentures of other companies for cash by a Trading Company is classified under which kind of a activity while preparing a cash flow statement. (1)

ii. Mention the net amount of 'source' or 'use' of cash when Fixed asset (Having book value of Rs 15000) is sold at a loss of Rs 5000.

(1)