Second Model Examination – 2019.

ACCOUNTS

(Three hours)

(Candidates are allowed additional 15 minutes for only reading the paper.

They must NOT start writing during this time.)

***Part I of Section A** is Compulsory. Answer **any 4** Question from **Part II of Section A** and **any two** question from either **Section B** ~~**or Section C.**~~*

The intended marks for questions or parts of questions are given in the brackets [ ].

Transaction should be recorded in the answer book.

All Clalculations should be shown clearly.

All working, Including rough work. should be done on the same page as, and adjacent to the rest of the answer

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SECTION A

PART I (12 Marks)

*Answer **all** questions*

Question I [6x2]

1. Answer briefly each of the following questions:

   (i) List two inatances when a partners fixed capital may change.

   (ii) How are debts of the firm and private debts dealt with in case of dissolution of a partner ship firm?

   (iii) What is the maximum amount of discount which may be allowed on reissue of shares?

   (iv) What is meant by long-term borrowings? How are they shown in the Balance Sheet of a company prepared as per Schedule III of the Companies Act, 2013?

   (v) What is meant by 'Redemption of Debentures out of Capital'? Is there any restriction by the Companies Act, 2013 for Redemption of Debentures out of Capital?

   (vi) What is meant by Debentures? State *any two* characteristics of Debentures.

PART II (48 Marks)

*(Answer **any four** question)*

2. (a) Ram, Shyam, Hari and Krishna are partners having capitals of Rs 3,00,000; Rs 2,00,00 Rs 1,50,000 and Rs 50,000 respectively. They share profits and losses in the ratio 4 : 3 : 2 : 1. They have agreed on the following terms:

   (i) Partners are entitled to interest on capital @ 10%.

   (ii) Hari will get salary @ ' 5,000 per month.

   (iii) Shyam's share of profits excluding interest on capital has been guaranteed to be not less than Rs 3,70,000.

   (iv) Krishna's share of profits (including interest on capital) has been guaranteed by Ram to be not less than Rs 1,10,000.

   Profit for the year ended 31st March, 2018 was ? 11,30,000 before any appropriations. Prepare Profit and Loss Appropriation Account.

   (b) Nusrat, Sonu and Himesh are partners sharing profits and losses in the ratio of 5:3:2. Th Partnership Deed provides for charging interest on drawings Rs 10% p.a. Drawings of Nusra Sonu and Himesh during the year ending 31st March, 2018 amounted to Rs 20,000, Rs 15,00 and Rs 10,000 respectively. After closing and finalising the accounts, it was discovered that inte est on drawings was not charged. Give necessary adjusting Journal entry.

(c) Calculate goodwill in the following cases:

(i) Goodwill of the firm is to be determined at three years' purchase of the average profits of the last five years which are as follows:

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Profits (Rs)	1,00,000	1,50,000	40,000	50,000 (Loss)	60,000

Additional Information: Profit of 2014-15 included an abnormal gain of Rs 10,000 and Profit of 2015-16 was after charging an abnormal loss of Rs.10,000.

(ii) Capital employed of the firm is Rs 1,00,000 and normal rate of return is 8%, the average profit of last 5 years is Rs 12,000 and goodwill is to be determined at 3 years' purchase of super profits.

(*iii*) Rama Brothers earns an average profit of ₹30,000 with a capital of ₹2,00,000. The normal rate of return in the business is 10%. Using capitalisation of super profits method, determine the value of goodwill of the firm. [3]

3. Usha and Asha are partners in a firm sharing profits in the ratio of 2 : 3 respectively. They admitted Neelam as a new partner for 1/2 share in the profits. Neelam will bring Rs. 5,00,000 as her capital and the capitals of Usha and Asha will be adjusted in the profit-sharing ratio. For this purpose, Current Accounts will be opened. Balance Sheet of the firm as at 31st March, 2018 hefore Neelam's admission was as follows:

Liabilities		Rs	Assets	Rs
Creditors		1,20,000	Cash at Bank	40,000
Bills Payable		1,00,000	Sundry Debtors	2,00,000
Employees' Provident Fund		60,000	Investments	1,00,000
General Reserve		60,000	Furniture	1,00,000
Workmen Compensation Reserve		30,000	Machinery	3,10,000
Capital A/cs:			Building	1,10,000
Usha	3,75,000		Advertisement Suspense A/c	10,000
Asha	1,25,000	5,00,000		
		8,70,000		8,70,000

Other terms of the agreement were as follows:

(i) Neelam will bring Rs 1,75,000 for her share of goodwill.

(ii) Building will be revalued at Rs 3,00,000 and value of machinery to be brought down by Rs 70,000.

(iii) Provision of 2% to be made on sundry debtors for doubtful debts.

(iv) Market value of the investments is Rs 1,90,000.

(v) Outstanding Rent amounted to Rs 8,000.

(vi) Unaccounted Accrued Income of Rs 2,000 to be provided for.

(vii) A debtor whose dues of Rs 10,000 were written off as bad debts paid 60% in full settlement.

Prepare Revaluation Account, Partners' Capital Accounts, Partners' Current Accounts and Balance Sheet of the new firm. [12]

4. Balance Sheet of Keshav, Nirmal and Pankaj who are partners in a firm sharing profits in proportion to their capitals as at 31st March, 2018 was as follows:

Liabilities		Rs	Assets		Rs
Capital A/cs:			Building		2,00,000
Keshav	1,60,000		Machinery		1,00,000
Nirmal	80,000		Stock		36,000
Pankaj	80,000	3,20,000	Debtors	40,000	
General Reserve		40,000	*Less:* Provision for Doubtful Debts	2,000	38,000
Creditors		42,000	Cash at Bank		28,000
		4,02,000			4,02,000

On the above date, Nirmal decided to retire from the firm and was paid for his share in the firm subject to the following:

(i) Building to be appreciated by 20%.

(ii) Provision for Doubtful Debts to be increased to 15% on Debtors.

(iii) Machinery to be valued at 20% less.

(iv) Goodwill of the firm is valued at Rs. 1,44,000 and the retiring partner's share is adjusted through the Capital Accounts of remaining partners.

(v) Capital of the new firm be fixed at Rs. 2,40,000.

(vi) Firm has an overdraft facility from Bank of Rs. 2,00,000 which may be used for payment to partners, both retiring and continuing.

Prepare Revaluation Account, Capital Accounts of the partners, Bank Account and the Balance Sheet after Nirmal's retirement. [12]

5. Lal and Pal were partners in a firm sharing profits in the ratio of 3 : 7. On 1st April, 2018 their firm was dissolved. After transferring assets (other than cash) and outsiders' liabilities to ealisation Account, you are given the following information:

(a) A creditor of Rs. 3,60,000 accepted machinery valued at Rs 5,00,000 and paid to the firm Rs.1,40,000.

(b) A second creditor for Rs. 50,000 accepted stock at Rs. 45,000 in fall settlement of his claim.

(c) A third creditor amounting to Rs. 90,000 accepted Rs. 45,000 in cash and investments of Rs.43,000 in full settlement of his claim.

(d) 60% of debtors were realised at 90% and remaining debtors were sold to a debt-collecting agency for 80% *less* 10% commission *(Book Value given in Balance Sheet just before dissolution: Debtors* = Rs *1,20,000; Provision for Doubtful Debts* = Rs *10,000).*

(e) Loss on dissolution was Rs 15,000.

Pass necessary Journal entries for the above transactions in the books of firm assuming that all payments were made by cheque. [12]

6. (a) Kailash Ltd. was registered with an authorised share capital of Rs. 50,00,000 divided into 4,00,000 Equity Shares of Rs. 10 each and 1,00,000, 12% Preference Shares of Rs. 10 each. It acquired Land and Building from M/s. Jain Brothers for Rs. 20,00,000. The purchase price was discharged by issuing 1,00,000 Equity Shares at a premium of Rs. 10 per share. The company allotted 10,000 Equity Shares at par to promoters as remuneration for their services rendered to incorporate the company.

The company offered to public 2,00,000 Equity Shares at a premium of Rs. 10 per share and 50,000, 12% Preference Shares at par, the entire amount being payable on application. The entire issue was underwritten by M/s. Gupta Brothers for a commission of 2% of the issue price payable in the form of Equity Shares of Kailash Ltd. at par. The issue was fully subscribed by the public.

Pass necessary Journal entries in the books of the company. [9]

7. (a) New Ventures Ltd. bought the business of Verma Ltd. on 1st April, 2018 consisting of sundry assets of Rs 2,80,000 and creditors Rs. 50,000. Rs. 50,000 were paid by cheque on 3rd April, 2018 and for the balance, 8% Debentures of Rs. 100 each were issued at a premium of 20% on 5th April, 2018.

Pass necessary Journal entries in the books of New Ventures Ltd. for the above transactions. [4]

(b) Cauvery Software Ltd. issued 5,000; 10% Debentures of Rs 100 each at par, redeemable after five years. The company also raised a Short-term loan of Rs 2,00,000 from the Bank of Baroda, collaterally secured by issue of 2,500; 10% Debentures of Rs 100 each. How will be the Debentures shown in the Balance Sheet of the company if the company has passed Journal entry for the Issue of Debentures as collateral security in the books? [4]

(c) Vijay Laxmi Ltd. invited applications for issuing 10,000; 12% Debentures of ₹ 100 each at a premium of Rs 70 per debenture. The full amount was payable on application. Applications were received for 13,500 debentures. Applications for 3,500 debentures were rejected and application money was refuned. Debentures were allotted to the remaining applications. Pass necessary journal entries. [4]

(8) (a) Strong Ltd. on 1st April, 2013 acquired assets of the value of Rs 6,00,000 and liabilities worth Rs. 70,000 from P & Co., at an agreed value of Rs 5,50,000. Strong Ltd. issued 12% Debentures of Rs100 each at a premium of 10% in full satisfaction of purchase consideration. The Debentures were redeemable on 31st March, 2018 at a premium of 5%. Pass entries to record the above including redemption of debentures, ignoring interest paid and received. [8]

(b) Under which head and sub-head the following items will be shown in the Balance Sheet of a company as per Schedule III of Companies Act, 2013:

1. Capital Advances;
2. Work-in-Progress;
3. Unpaid/Unclaimed Dividend;
4. Provision for warranties? [4]

SECTION B (20 MARKS)

*(Answer **any two** questions)*

9. Following is the Balance Sheet of Young India Ltd:

BALANCE SHEET *as at 31st March, 2018*

Particulars	Note No.	31st March 2018(Rs)	31st March, 2017 (Rs)
1. EQUITY AND LIABILITIES 1. Shareholders' Funds			
(a) Share Capital	1	10,00,000	10,00,000
(b) Reserves and Surplus	2	6,00,000	3,00,000
2. Non-Current Liabilities			
Long-term Borrowings: (6% Debentures)		8,00,000	6,00,000
3. Current Liabilities			
(a) Trade Payables		3,50,000	3,00,000
(b) Other Current Liabilities	3	3,00,000	4,50,000
(c) Short-term Provisions	4	2,50,000	2,50,000
Total		3300000	29,00,000
II. ASSETS1. Non-Current Assets			
(a) Fixed Assets—Tangible		19,00,000	15,00,000
(b) Non-current Investments		3,00,000	4,00,000
2. Current Assets			
(a) Inventories		5,50,000	4,00,000
(b) Trade Receivables		4,50,000	4,00,000
(c) Cash and Bank Balance		1,00,000	2,00,000
Total		33,00,000	29,00,000

Notes to Accounts

Particulars	31st March 2018 (Rs)	31st March 2017 (Rs)
1.Share Capital		
Equity Share Capital	10,00,000	10,00,000
2. Reserve and Surplus		
General Reserve	2,00,000	100000
Surplus, *i.e.*, Balance in Statement of Profit and Loss	400000	200000
	600000	300000
3. Other Current Liabilities		
Dividend Payable	70000	50000
Outstanding Expenses	230000	400000
	300000	450000
Short-term Provisions		
Provision for Tax	250000	250000

Note: Proposed Dividend for the years ended 31 st March, 2017 and 2018 are Rs 2,50,000 and Rs 3,00,000 respectively.

Additional Information:

(i) A piece of machinery costing Rs 50,000 on which depreciation of Rs 20,000 had been charged was sold for Rs 10,000. Depreciation charged during the year was Rs 1,70,000

(ii) During the Current year, New Debentures have been issued on 1st August.

(iii) An interim dividend of Rs 1,00,000 was paid during the year.

You are required to prepare Cash Flow Statement for the year ended 31st Yi: 2018, as per AS-3.

[2]

10. *(a)* State *any two* objectives of Common-size Income Statement. [2]

(b).Current Ratio is 2.5; Working Capital is Rs 60,000. Calculate the amount of Current Assets and Current Liabilities.

(c)Prepare comparitive balance sheet form the following information [2]

BALANCE SHEET *as at 31st March, 2018*

Particulars	Note No.	31st March 2018 Rs	31st March, 2017 Rs
1. EQUITY AND LIABILITIES			
1. Shareholders'Funds			
(a) Share Capital		24,00,000	18,00,000
(b) Reserves and Surplus		3,60,000	2,40,000
2. Non-Current Liabilities			
Long-term Borrowings		7,20,000	6,00,000
3. Current Liabilities			
Short-term Borrowings		1,20,000	3,60,000
Total		36,00,000	30,00,000
II. ASSETS			
1. Non-Current Assets			
Fixed Assets:			
(i) Tangible Assets		24,00,000	18,00,000
(ii) Intangible Assets		1,20,000	3,60,000
2. Current Assets			
(a) inventories		3,24,000	2,70,000
(b) Trade Receivables		3,96,000	3,30,000
(c) Cash and Cash Equivalents		3,60,000	2,40,000
Total		36,00,000	30,00,000

11. (a) From the following information, calculate (a) Current Ratio and *(b)* Inventory Turnover Ratio:

Cash Rs 50,000; Bank Rs 70,000; Inventory Rs 30,000; Machinery Rs 2,00,000; Land Rs 10,00,000; Trade Receivables Rs 80,000; Trade Payables Rs 65,000; 9% Debentures Rs 3,00,000; Short-term Loan from bank Rs 90,000; Cost of Revenue from Operations Rs 3,00,000; Opening Inventory was Rs5,000 more than the Closing Inventory. [4]

(b) From the given information, calculate the following ratios:

(i) Liquid Ratio, *(ii)* Proprietary Ratio and *(iii)* Working Capital Turnover Ratio.

	Rs		Rs
Revenue from operations	5,00,000	Gross profit	1,50,000
Total Current Assets	3,00,000	Closing inventory	25,000
Share Capital	4,00,000	Reserves and Surplus	50,000
Non-Current Assets	6,00,000	Total Current liability	1,50,000
Pre-paid Insurance	5,0 00		

[6]

Note: Share Capital – ₹ 4,00,000/-
Pre-paid insurance – ₹ 5000/-