MARTHOMA RESIDENTIAL SCHOOL,THIRUVALLA

Second Terminal Examination December 2019

Class : XII **Accountancy** **Marks : 80**

Time : 3 hrs

SECTION A

PART I (12 MARKS)

(Answer all questions)

1. Answer briefly each of the following questions:

i. What is meant by 'Fluctuating capital' of a partner? Distinguish between 'Fixed Capital Account' and 'Fluctuating Capital Account'on the basis of credit balance.

ii. Green Ltd. Forfeited 1,000 equity shares of Rs 100 each for non – payment of first call of Rs 20 per share and second and final call of Rs 25 per share.

(a) State the minimum amount at which these shares can be reissued.

(b) If these shares were reissued at Rs. 50 per share as fully paid-up, what will be the amount of Capital Reserve?

iii. Why would an investor prefer to invest in the Debentures of a Company rather than in its Shares? *(Any two reasons)*

iv. State any two differences between Average Profit and Super profit.

v. How is deceased/outgoing partner's share of profit or loss from the date of last Balance Sheet to the date of death/retirement adjusted, when the new profit- sharing ratio of continuing partners does not change from their old profit- sharing ratio?

vi. Mention two items of Cash and Cash Equivalents. **[6 x 2]**

PART II (48 MARKS)

(Answer **any four** questions)

2. (a) *X*, *Y*, and *Z* are partners sharing profits and losses in the ratio of 6 : 3 : 1. They decide to take *W* into partnership with effect from 1st April, 2019. The new profit-sharing ratio between *X*,*Y*,*Z*and *W*will be 3 : 3 : 1. They also decide to record the effect of the following without affecting their book values, by passing a single adjustment entry:

	Book values (Rs)
General Reserve	1,80,000
Contingency Reserve	30,000
Profit and Loss A/c (Cr.)	90,000
Advertisement Suspense A/c (Dr.)	1,20,000

Pass the necessary adjustment entry. [4]

(b) *X* and *Y*, who share profits and losses in the ratio of 3 : 2, are partners with capitals of Rs.3,00,000 and Rs. 2,00,000. On the date of *Z*'s admission, Balances of Profit and Loss A/c (Cr.) Rs 60,000, Reserves Rs. 5,50,000 and Advertisement Expenditure (Deferred Revenue) Rs. 10,000 appeared in the Balance Sheet. They admit *Z*as a partner for 1/5th share in the profits of the firm. *Z* brings Rs 4,00,000 as his capital. Give the necessary journal entries on *Z*'s admission with regard to capital and goodwill. [4]

(c) Priya, Riya and Siya are partners sharing profits in the ratio of 4 : 3 : 1 respectively. It is provided in the partnership Deed that on the death of any partner, her share of goodwill was to be valued at half of the profits credited to her account during the four previous completed years.

Riya died on 1st April, 2019, The firm's profits for the last four years were: I – Rs 1,20,000; II – Rs 80,000; III – Rs 40,000 and IV – Rs 80,000.

Determine the amount that should be credited to Riya for her share of goodwill. On the date of Riya's death, one of the old debtors whose account was closed last year by transferring his debt amounting to Rs 8,000 to Bad Debts Account, has now promised in writing to pay the amount fully.

Pass the necessary Journal entries for the above transactions at the time of Riya's death, [4]

3. (a) *P* and *Q* were partners in a firm sharing profits in the ratio of 5 : 3. On 1st April, 2018 they admitted *R* as a partner for 1/8th share in the profits with a guaranteed profit of Rs 75,000. New profit- sharing ratio between *P*and *Q* will remain same but they agreed to bear any deficiency on account of guarantee to *R* in the ratio 3 : 2. Profit of the firm for the year ended 31st March, 2019 was Rs 4,00,000.

Prepare Profit and Loss Appropriation Account of*P*, *Q* and *R* for the year ended 31st March, 2019. [4]

(b) *X* ,*Y* and *Z*were partners sharing profits in the ratio of 3 : 3 : 2. The Partnership Deed provided for the following:

i. Salary of Rs. 8,000 p.a. to *X* and *Y*.

ii. *Z* was to get commission of Rs. 8,000.

iii. *Y* was guaranteed a profit of Rs 50,000 p.a.

Profit of the firm for the year ended 31st March, 2019 was Rs. 1,50,000 which was distributed among *X*, *Y* and *Z* in the ratio of 2 : 2 : 1, without considering the Partnership Deed. Pass necessary rectifying entry for the above adjustments in the books of the firm. Show your workings clearly. **[4]**

(c) X and Y are partners sharing profits in the ratio of 3 : 2. They admit Z for 1/5th share in profits as a partner on 1st April, 2019. Z brings Rs 5,00,000 as his capital and the share of goodwill by cheque. For this purpose, goodwill of the firm is valued at two years' purchase on the basis of average net profit (corrected) of the last three years. The profits for the last three years were as follows:

Year	2016-17	2017-18	2018-19
Profits (Rs)	3,71,400	4,20,000	3,60,000

Additional Information:
A machinery was purchased on 1st April, 2017 for Rs 60,000 but it was debited to Office Expenses Account. Depreciation is charged @ 10% following diminishing balance method.

Pass the necessary Journal entries on Z's admission showing the working notes. **[4]**

4. (a) How are the following items shown in the Balance Sheet of a company?
   (i) Licence for Franchise, (ii) Accrued Income,
   (iii) Stores and Spares, (iv) Mastheads and Publishing Title,
   (v) Bank Overdraft, and (vi) Unpaid Dividend. **[6]**

   (b) AXE Ltd. issued 7,000; 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 State Bank of India (SBI), 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) *Z* Limited forfeited 50 shares of Rs 10 each issued at a premium of 20% to Ankit, who had applied for 60 shares, for non-payment of allotment money of Rs 6 per share (including premium) and the First and Final call of Rs 2 per share. Give Journal entry regarding forfeiture of Ankit's shares. **[2]**

5. Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2019 their Balance Sheet was as follows:

BALANCE SHEET OF SRIJAN, RAMAN AND MANAN as on 31st March, 2019

Libilities		Rs	Assets	Rs
Capital A/cs:			Capital: Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investments	70,000
Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit and Loss Account	80,000
		5,00,000		5,00,000

On the above date they decided to dissolve the firm on the following terms:

(i) Srijan was appointed to realize the assets and discharge the liabilities. Srijan was to receive 5% commission on sale assets (except cash) and was to bear all expenses of realization.

(ii) Assets realized as follows:

	Rs
Plant	85,000
Stock	33,000
Debtors	47,000

(iii) Investments were realized at 95% of the book value.

(iv) The firm had to pay Rs75,000 for an outstanding repair bill not provided for earlier.

(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialized and had to be discharged for Rs 15,000.

(vi) Expenses of realization amounting to Rs 3,000 were paid by Srijan.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account. [12]

6\. (a) Star Ltd. purchased assets of Rs 99,000 from Moon Ltd. It was agreed that the purchase consideration will be paid by issuing 11% Debentures of Rs 100 each. Pass Journal entries when debentures have been issued (i) at par, (ii) at a premium of 10% and (iii) at a discount of 10%. [4]

(b) Moon Ltd. issued Rs 10,00,000; 9% Debentures of Rs 100 each at a premium of 4% redeemable at a premium of 5% after four years. The debentures were issued on 31st March, 2015. The company decided to create Debentures Redemption Reserve on 1st March, 2018 and investment in specified securities on 1st April, 2018. Ignoring interest on investments, pass Journal entries at the time issue and redemption of Debentures. [8]

7. (a) X, Y and Z are partners sharing profits and losses in the ratio of ½, 3/10, and 1/5 respectively. Y retires from the firm and X and Z decide to share future profits and losses in the ratio of 3:2. Calculate the gaining ratio. [2]

(b) Khushboo, Leela and Meena were partners in a firm sharing profits in the ratio of 5: 3: 2. Their Balance Sheet on 31st March, 2019 was as follows:

BALANCE SHEET OF KHUSHBOO, LEELA AND MEENA as at 31st March, 2019

Liabilities		Rs	Assets	Rs
Creditors		70,000	Bank	44,000
General Reserve		10,000	Debtors	24,000
Capital A/cs:			Stock	60,000
Khushboo	90,000		Building	1,40, 000
Leela	56,000		Profit and Loss A/C (2018-19)	18,000
Meena	60,000	2,06,000		
		2,86,000		2,86,000

On 1st April, 2019, Leela retired on the following terms:

(i) Building was to be reduced by Rs 10,000.
(ii) A provision of 5% was to be made on debtors for doubtful debts.
(iii)Salary outstanding was Rs 4,800.
(iv) Goodwill of the firm was to be valued at 2 years' purchase of the average profit of last 5 years. The profits for the past years were:
Rs 50,000; Rs 80,000: 1,10,000 and Rs 1,18000
(v) Leela was to be paid Rs 19,600 through cheque and the balance was to be paid in two equal quarterly instalments (starting from 30th June, 2019) along with interest @10% per annum.

Prepare Revaluation Account, Leela's Capital Account and her Loan Account till it is finally paid. [10]

8. Climax Ltd. issued for public subscription 40,000 equality shares of Rs 10 each at a premium of Rs 2 per share payable as under:

On Application – Rs 2 per share,
On Allotment – Rs 5 per share (including premium),
On First Call - Rs 2 per share, and
On Second call - Rs 3 per share.

Applications were received for 60,000 shares, Allotement was made *pro rata* to the applicants for 48,000 shares while the remaining applications being rejected. Amar, to whom 1,600 shares were allotted, did not to pay the allotment money, first call and second call. Akbar to whom 2,000 shares were allotted did not pay the two calls. Shares of Amar and Akbar were forfeited after the second call. All the forfeited shares were sold to Anthony as fully paid – up at Rs8 per share.

Show the Journal entries to record the above transactions and the Balance Sheet of the company as per Shedule III to the CompaniesAct, 2013 to give effect to the above. [12]

SECTION B (20 MARKS)

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

9.**(a)** From the following Statement of Profit and Loss Downhill Ltd. for the year ended 31st March. 2019, calculate Cash flow Operating Activities:

Particulars	Note No.	Amount
i. Revenue from Operations	1	23,92,000
ii. Other Income		78,000
iii. Total Revenue (I + II)		24,70,000
iv. Expenses:		
Cost of Materials Consumed		17,20,000
Changes in Inventories of finished Goods and-work in – progress	2	(60,000)
Employees Benefit Expenses		4,20,000
Depreciation and Amortisation		60,000
Other Expenses	3	80,000
Total Expenses		22,20,000
v. Net Profit before Tax (III – IV)		2,50,000

(b) From the following information, Calculate Cash Flow Investing Activities:

Particulars	31st March, 2019 (Rs)	31st March, 2019 (Rs)
Plant and Machinery	8,50,000	10,00,000
Non-current Investments	40,000	1,00,000
Land (At Cost)	2,00,000	1,00,000

Additional Information:

i. Depreciation charged on Plant and Machinery was Rs 50,000.
ii. Plant and Machinery with a bank value of Rs, 60,000 was sold for Rs 40,000.
iii. Land was sold at a gain of Rs 60,000. **[4]**

10. (a) From the following information, calculate Working Capital Turnover Ratio:

	Rs
Current Assets	9,00,000
Revenue from Operations	24,00,000
Current Liabilities	1,00,000

[2]

(b) Calculate Gross Profit Ratio from the following information:

	Rs
Opening Inventories	50,000
Purchases	1,50,000
Returns Outward	20,000
Wages	10,000
Revenue from Operators	2,50,000
Closing Inventories	40,000

[2]

© From the following ınformation, calculate Inventory Turnover Ratio:

	Rs
Revenue from Operations	16,00,000
Average Inventory	2,20,000
Gross Loss	5%

[2]

(d) From the given information, calculate the following"

i. Cost of Revenue from Operations
ii. Opening and Closing Inventory
iii. Quick Assets
iv. Current Assets

Information

Notes to accounts

Particulars	Note No.	Amount (Rs)
1. **Other Income**		60,000
Rent		10,000
Gain(profit) on Sale of Machinery		8,000
Interest on Debentures held as Investments		78,000
2. **Changes in Inventories of Finished Goods and Work – in –progress**		
a. **Finished Goods**	50,000	
Opening Inventories	70,000	(20,000)
Less: Closing Inventories		
b. **Work – in-progress**	50,000	
Operating Inventories	90,000	(40,000)
Less: ClosingInventories		
		(60,000)
3. **Other Expenses**		50,000
Manufacturing Expenses		24,000
Selling and Distribution Expenses		6,000
Loss on Sale of Furniture		80,000

Addititional Information

Particulars	31st March, 2019(Rs)	31st March, 2019 (Rs)
Trade Receivables	1,00,000	80,000
Trade Payable	1,30,000	1,40,000
Outstanding Expenses	32,000	20,000
Prepaid Expenses	20,000	14,000

Inventory Turnover Ratio 6 times, Inventory at the end is Rs6,000 more than the inventory in the beginning, Revenue from Operations (all credits) Rs 2,40,000, Gross profit 25% on cost, Current Liabilities Rs 80,000, Quick Ratio 0.80 : 1 . [4]

11. (a) Give any two objectives of Comparatives Statement of Profit and Loss. [2]

(b) (i) State with reason whether cash withdrawn from Bank for office use would result Inflow or Outflow or No Flow of Cash.

(ii) State with reason whether Buy- back of Equity Shares for cash would result in Inflow, Outflow or No Flow of Cash. [2]

(c) From the following Statement of Profit and Loss of Bag Co. Ltd. for the year ended 31st March,2019, compute the Operating Ratio:

Particulars	Note No.	Amount(Rs)
i. Revenue from Operations		10,00,000
ii. Expenses:		
Cost of material Consumed		7,00,000
Changes in Inventories of finished Goods and work- in – progress		40,000
Employees Benefit Expenses		30, 000
Finance Cost		20,000
Other Expenses		30,000
Total Expenses		8,20,000
iii Profit from Operations (I –II)		1,80,000

[2]

(d) Prepare a Comparative Statement of Profit or Loss from the following information:

Particulars	31st March, 2019	31st March, 2019
Revenue from Operations	Rs 70,00,000	Rs 50,00,000
Employee Benefit Expenses	Rs 35,00,000	Rs 20,00,000
Depreciation and AmortisationExpenses	Rs 8,00,000	Rs 5,00,000
Other Expenses	Rs 16,00,000	Rs 12,00,000
Tax Rate	40%	40%

[4]