

MAR THOMA RESIDENTIAL SCHOOL
First Term Examination – 2019

Class: XII

Accounts

Marks: 80
Time: 3 Hours

Section A
Part 1 (12 marks)

Question 1

- Mention two difference between premium on issue of debentures and premium on redemption of debentures.
- What are the adjusting and closing entries for interest on calls-in-advance account and interest on calls-in-arrears account?
- What is the accounting treatment of rent payable to the partner for use of partner's property?
- Explain how issue of debentures as collateral security is shown un the balance sheet of a company when it is recorded in the books of account.
- State the two conditions which must be fulfilled to reissue the forfeited shares.
- In the event of firm's business being taken over, give the accounting treatment of the amount paid in excess of net assets in the event of a business taken over by the firm.

(6 X 2)

Part 2 (48 marks)
Answer any four questions

Question 2

Mamta Fab limited issued 50,000 shares of ₹ 100 each payable as ₹ 20 on application, ₹ 40 on allotment and ₹ 20 each on first and final call. Applications were received for 75,000 shares. Applications of 15,000 shares were sent letters of regret and applicants of 60,000 shares were allocated on pro rata basis.

Mohan, a holder of 1,500 shares failed to pay allotment money which he paid along with the first call.

Raman, a shareholder holding 500 shares paid both the calls along with the allotment. Kamal, a shareholder holding 1,000 shares did not pay first call and second call. His shares were forfeited and were re-issued at ₹ 120 per share as fully paid.

Pass necessary journal entries.

(12)

Question 3

- Dabang limited issued 10,000 10% debentures of ₹ 100 each. Pass journal entries in the following cases:
 - When debentures were issued at par and redeemable at par.
 - When debentures were issued at par and redeemable at premium at premium of 10%.
 - When debentures are issued at a premium of 20% to the vendors for the purchase of machinery worth ₹ 12,00,000.

iv. When debentures are issued as a collateral security to bank against a loan of ₹ 8,00,000. (7)

b) On 31st March 2018, a Company purchased for cancellation its own debentures of the face value of ₹ 16,000 at ₹ 95 per debenture and of ₹ 4,000 at ₹ 90 per debenture. Show journal entries for redemption of debentures. Face value of the debentures is ₹ 100. (5)

Question 4

a) On 1 April 2016, Krayon limited issued 8,000, 12% debentures of ₹ 100 each redeemable at par after 5 years. The issue was fully subscribed. According to the terms of issue interest on debentures is payable annually on 31st March. Tax deducted at source is 20%.

You are required to pass journal entries for the year 2016-17 regarding issue of debentures and interest on debentures. (5)

b) Pinnacle instruments limited registered with a capital of 20,00,000 dividend into equity shares of ₹ 100 each. On 1st June 2014, the Company issued 5,000 equity shares as fully paid to Mila Herbals as purchase consideration for the purchase of plant and machinery. The remaining shares were issued to public at par.

Till the date of the balance sheet, directors had called from the public, 60% of the nominal value of the shares. The amount called was received by the Company.

You are required to prepare

- i) The balance sheet as at 31 March 2015.
- ii) Notes to accounts. (7)

Question 5

a) X limited issued 5,000, 10% debentures of ₹ 100 each at par and also raised a loan of ₹ 8,00,000 from bank, collateral security by 10,00,000, 10% debentures. How will you show debentures in the balance sheet of the Company assuming that the Company has recorded the issue of debentures as collateral security. Also, journalise the issue of debentures. (5)

b) Mahima limited issued 38,00,000, 9% debentures of ₹ 100 each on 1 April 2016. The debentures were redeemable at a premium of 5% on 30th June 2018. The Company transferred an amount of ₹ 9,50,000 to DRR on 31st March 2018. Investments were made on 1st April 2018.

Pass journal entries starting from 31st March 2018 regarding redemption of debentures. (Ignore interest on investment) (7)

Question 6

Sakshi limited has authorized capital of 20,00,000 consisting of equity shares of ₹ 100 each. The following is the trial balance of the Company as at 31 March 2018:

	Amount (Dr.)		Amount (Cr.)
Calls in arrears (on 2,000 shares @ 50 per share)	1,00,000	Provision for depreciation:	
Advance tax paid	12,25,000	Plant	4,50,000
Plant and machinery (cost)	12,10,000	Furniture	2,00,000
Furniture (cost)	6,50,000	Creditors	5,00,000
Land and Building	5,25,000	12% debentures	2,50,000
Trade receivables	3,80,000	Reserves and surplus	17,93,000
Cash and bank balances	2,25,000	Provision for tax	11,47,000
Inventories	10,00,000	Equity share capital (10,000 equity shares of 100 each)	10,00,000
Discount on issue of debentures	5,000		
Outstanding rent	10,000		
Outstanding interest on debentures	10,000		
	53,40,000		53,40,000

Prepare balance sheet of the Company.

(12)

Question 7

a) Ram, Shyam and Mohan are partners in a firm, sharing profits and losses in the ratio of 2:2:1. During the half year ended 30th September 2017, their capital accounts remained unchanged at ₹ 3,00,000, ₹ 2,00,000 and ₹ 1,50,000 respectively. Their current account balances on 1st April 2017 were:

Ram: ₹ 60,000 (Cr.)

Shyam: ₹ 42,750 (Dr.)

Mohan: ₹ 32,750 (Dr.)

During the year ended 31st March 2018, Ram withdrew ₹ 1,000 in the beginning of each month. Mohan withdrew ₹ 2,000 at the end of each month while Shyam withdrew ₹ 9,000 during the period of six months. Their partnership deed provides that:

- Partners are allowed interest on capital @ 5% p.a.
- Partners are allowed / charged interest on current account balances @ 4% p.a.
- Interest on drawings is charged @ 6% p.a.
- Mohan is entitled to a salary of 2,500 p.m.
- Ram is entitled to a commission of 5% on the net profit after charging such commission.

During the half year ended 30th September 2017 net profit of the firm was ₹ 10,35,000 after charging Mohan's salary which had been debited to wages and salaries account.

You are required to prepare profit and loss appropriation account of the firm. (8)

- b) King limited took over assets of ₹ 25,00,000 and liabilities of ₹ 6,00,000 of Queen limited. King limited paid the purchase consideration by issuing 10,000 equity shares of ₹ 100 each at a premium of 10% and ₹ 11,00,000 by bank draft. Calculate purchase consideration and pass necessary journal entries in the books of King limited. (4)

Section B (20 marks)

Answer any two questions

Question 8

- a) From the following statement of profit and loss of Downhill limited for the year ended 31st March 2018, calculate cash flow from operating activities:

Particulars	Note No	Amount
i. Revenue from operations		23,92,000
ii. Other income		78,000
iii. Total revenue	1	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

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Notes to accounts

1. Other income		Amount
Rent		60,000
Gain on sale of machinery		10,000
Interest on debentures held as investments		8,000
		<u>78,000</u>
2. Changes in inventories of finished goods and work in progress		
(a) Finished goods		
Opening inventories		
Less: Closing inventories	50,000	
	<u>70,000</u>	(20,000)
(b) Work in progress		
Opening inventories		50,000
Less: Closing inventories	90,000	
	<u>90,000</u>	(40,000)
		<u>(60,000)</u>
3. Other expenses		
Manufacturing expenses		50,000
Selling and distribution expenses		24,000
Loss on sale of furniture		6,000
		<u>80,000</u>

Additional information:

Particulars	31-Mar-17	31-Mar-18
Trade receivables	1,00,000	80,000
Trade payables	1,30,000	1,40,000
Outstanding expenses	32,000	20,000
Prepaid expenses	20,000	14,000
		(6)

b) From the following information, calculate cash flow from investing activities:

Particulars	31-Mar-17	31-Mar-18
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 ₹ 50,000
- ii) Plant and machinery with a book value of 60,000 was sold for ₹ 40,000
- iii) Land was sold at a gain of ₹ 60,000

(4)

Question 9

a) From the following information, calculate working capital turnover ratio:

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:

Opening inventories	50,000
Purchases	1,50,000
Returns outwards	20,000
Wages	10,000
Revenue from operations	2,50,000
Closing inventories	40,000

(2)

c) From the following information, calculate inventory turnover ratio:

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 inventories
- iii) Quick assets
- iv) Current assets

Information:

Inventory turnover ratio 6 times, Inventory at the end is ₹ 6,000 more than the inventory in the beginning, Revenue from operations (all credits) ₹ 2,40,000, Gross profit 25% on cost, Current liabilities 80,000, Quick ratio 0.80:1.

(4)

Question 10

- a) Give any two objectives of comparative statement of profit and loss. (2)
- b) i) State with reason whether cash withdrawn from bank for office use would result in *Inflow*, *Outflow* or *No cash flow*. (2)
- ii) State with reason whether Buy-back of equity shares for cash would result in *Inflow*, *Outflow* or *No cash flow*. (2)
- c) From the following statement of profit or loss of Bag Co. Ltd for the year ended 31st March 2018, compute the operating ratio:

Particulars	Note No	Amount
i. Revenue from operations		10,00,000
ii. Expenses:		
Cost of materials 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. Net profit before tax (i-ii)		1,80,000

- d) Prepare a comparative statement of profit and loss from the following information: (2)

Particulars	31-Mar-18	31-Mar-17
Revenue from operations	70,00,000	50,00,000
Employees benefit expenses	35,00,000	20,00,000
Other expenses	16,00,000	12,00,000
Depreciation and amortization	8,00,000	5,00,000
Tax rate	40%	40%

(4)