MAR THOMA RESIDENTIAL SCHOOL, THIRUVALLA

Second Model Examination 2019 – 20

ACCOUNTS Key

Class – XII

Time : 3hrs
Mark : 80

(Candidates are allowed 15 minutes for only reading the paper). Part 1 of section A is compulsory. Answer any four questions from part II of Section A and any two questions from Section B. All calculation's 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.)

Section – A
Part – 1 (12 marks)
(Answer all questions)

Question I

1. Write the adjusting and closing journal entry for Rent payable to a partner for use of his property for business purpose.
2. What is a Profit and Loss Appropriation Account? How is it differ from Profit and Loss Account?
3. Give four items that may appear on the credit side of partners Current Account.
4. Write the accounting treatment with journal entry when the fall in value of investment is less than Investment Fluctuation Reserve value given Balance Sheet.
5. Mention the main heads and sub – heads under – which the following items will appear ir the Balance Sheet.
   a. Current maturities of long – term debts
   b. Premium on redemption of Debenture
   c. Computer Software
   d. Proposed dividend
6. What do you mean by ' Redemption of Debenture by purchase from Open Market'?

Part II

Answer any four questions

Question II

On 31st march, 2019, the Balance Sheet of P, Q and R who were partners in a firm was as under :-

Liabilities	Rs	Assets	Rs
Sundry Creditors	2,50,000	Building	2,60,000
Reserve Fund	2,00,000	Investments	1,10,000
Capital a/Cs:		Debtors	1,50,000
P – 1,30,000		Bill Receivable	60,000
Q – 90,000		Stock	1,20,000
R – 90,000	3,10,000	Cash at Bank	60,000
	7,60,000		7,60,000

The partnership Deed provides that the profits be shared in the ratio of 2:2:1 and that in the event of death of the partner, his executors will be paid the following:

1) The amount of capital to his credit at the date of Balance Sheet;
2) His proportion of Reserves at the date of the last Balance Sheet ;
3) His proportion of profits to the date of death based on the average profits of the last three completed years, plus 10%.
4) By way of goodwill, his proportion of the total profits for the three preceding years.
5) Net profit for the last three years were :

Year	Profit (Rs)
2016 – 17	1,60,000
2017 – 18	1,60,000
2018 – 19	1,54,000

R died on 1st July, 2019. He had withdrawn Rs 50,000 up to the date of death. The Investments were sold for Rs 1,50,000 and R's Executor's were paid –off.

Prepare partner's capital Accounts, R's Executor's A/c and Balance Sheet of the surviving partners P and Q.

Note: Firm enjoys Bank Overdraft facility. [12]

Question III

a) Mohan and Sohan are partners in a firm, sharing profits and losses in the ratio of 3:2. Their fixed capitals as on 1st April , 2018 were Rs 1,500,000 and Rs 10,00,000 respectively. Their partnership deed provides the following.

i. Partners are allowed interest on capital @ 10% P.A.
ii. They are to be charged interest on drawings @ 4% P.A.
iii. Mohan is to get salary of Rs 5000 P. M.
iv. Sohan is to get commission @ 5% of the corrected net profit, before charging such commission.
v. Mohan is to get rent of Rs 7500 P. M. for the use of his premises by the firm.

Profit for the year ended 31st March, 2019, before providing for any of the above was Rs 10,00,000.
Both Partners withdrew Rs 12,500 in the beginning of every month for the year.

Prepare Profit and Loss Appropriation Account for the year ended 31st March , 2019

[8]

b) Prachi Ritika and Ishita are partners in a firm sharing Profits and Losses in the ratio of 3:2:5. Ishita died on 1st April 2019. On the date of her death, it was decided to value goodwill on the basis of 2 years purchase of weighted average profits of the firm for the last three years. The profits for the last three years and weights assigned were:

Year	Profit	Weight
2016 – 17	Rs 60,000 (including gain from sale of asset Rs 20,000)	1
2017 - 18	Rs 1,60,000	2
2018 - 19	Rs 2,00,000	3

You are required to:

1. Calculate the firm's goodwill on the date of Ishita's death (show calculations with formula)
2. Pass the necessary Journal Entry to credit Ishita's capital Account with her share of goodwill.

[4]

Question IV

a) Fancy Co. Ltd issued 10,000 10 % Debentures at Rs 100 each. Pass necessary Journal entries for issue of debentures in the following cases:

1) When debentures are issued at par and are redeemable at par.
2) When debentures are issued at a premium of 5% and are redeemable at a premium of 10%.
3) When Debentures are issued at a premium of 20% to the Vendors for the purchase of Machinery for Rs 12,00,000
4) When Debentures are issued at a collacteral security to bank against loan of Rs 8,00,000

[8]

b) on 1st April, 2017, JHP Ltd; issued 2,000, 8% Debentures of Rs 100 each at a premium of Rs 20, repayable at a premium of Rs 20. The terms of issue provided for the redemption of Rs. 20,000 debentures every year commencing from31st March, 2019 either by purchase from open market or by draw of lots at the company's option.

On 31st March, 2019 the company purchased for cancellation its own debentures of face value of Rs 16,000 at Rs 95 per debenture and of Rs 4,000 at Rs 90 per debenture.

Pass Journal entries for redemption of Debentures. **[4]**

Question V

Jain and Gupta are partners in a firm sharing profits in the ratio of 3:2. Their Balance Sheet as on 31st March, 2019 was as follows:

Liabilities	Rs	Assets		Rs
Creditors	20,000	Cash at Bank		14,800
Bills Payable	3000	Debtors	20,500	
Bank overdraft	17,000	less provision – for bad – bebts	(300)	20,200
General Reserve	15,000			
Jain's Capital	70,000	Stock		20,000
Gupta's Capital	60,000	Machinery		40,000
		Building		70,000
		Motor vehicles		20,000
	185000			185000

On 1st April, 2019 they admit Mishra as partner for ¼ the share in the profits on the following terms:

i. Mishra to bring capital equal to ¼ th of the total capital of Jain and gupta after all adjustment including premium for goodwill.
ii. Building to be appreciated by Rs 14,000 and stock to be reduced by Rs 6,000.
iii. Provision for doubtful debts to be raised to Rs 1,000.
iv. A provision be made for Rs 1,800 for outstanding legal charges.
v. Goodwill of the firm is valued at Rs 40,000
vi. Mishra was unable to bring cash for his share of goodwill.
vii. General Reserve is not to be distributed. For this , it was decided that Mishra would compensate the old partners through his Current Account.

You are required to :

a) Pass journal entries on the date of Mishra's admission
b) Prepare Balance Sheet of the reconstituted firm. **[12]**

Question VI

a) M, S and U are partners in a firm sharing profits in the ratio of 3:1:1. Their fixed capital balances are Rs 4,00,000; Rs 1,60,000; and Rs 1,20,000 respectively. Net profit for the year ended 31st March, 2019 disrtibuted amongst the partners was Rs 1,00,000, without considering the following:

i. Interest on capital @ 2.5% P A;
ii. Salary to M Rs 18,000 P A and commission to U Rs 12,000;
iii. M was allowed a commission of 6% of divisible profit after charging such commission.

Pass a rectifying Journal entry in the books of the firm. Show the workings. **[4]**

b) Following is the Balance Sheet of vinit and Yogesh as on 31st March, 2019:

Balance Sheet as on 31st March, 2019

Liabilities	Rs	Assets	Rs
Creditors	3,60,000	Bank	80,000
Mrs. Vinit's Loan	60,000	Stock	70,000
Yogesh's Loan	1,00,000	Investments	1,00,000
Investment Fluctuation fund	30, 000	Debtors 2,00,000 Less provision(20,000) For bad depts	1,80,000
Capital: Vinit – 2,00,000 Yogesh - 1,00,000	3,00,000	Fixed Assets	3,80,000
		Profit and Loss A/c	40,000
	8,50,000		**8,50,000**

On 1st April, 2019 they decided to dissolve the firm. The assets were realised and the liabilities were paid as under:

i. Vinit promised to pay Mrs. Vinits Loan and took Stock at 20% discount.
ii. Yogesh took 90% of the Investments at 10% discount.
iii. Sunil, a debtor of Rs 50,000 had to pay the due amount 3 months after the date of dissolution. He was allowed a discount of 5% for making payment immediately. The remaining debtors were collected in full.
iv. Crerditors were paid Rs 350000 in settlement.
v. Fixed assets realised Rs 2,82,000 and remaining investments realised Rs 7500.
vi. There was an old furniture which has been written off from the books. Yogesh took it for Rs 4,000.
vii. There was an unrecorded asset value estimated at Rs 3,000; half of which was given for an unrecorded liability of Rs 5,000 in settlement of the claim of Rs 2,500 and remaining half was sold at a discount of Rs 200.
viii. Realisation expenses Rs 2,000 were paid by Vinit.

Prepare Realisation Account , Bank Account and Partner's Capital Account

[8]

stion VII

Shakti Ltd, invited applications for 1,00,000 equity shares of Rs 10 each to be issued at a premium of Rs 3 per share payable as Rs 4 on application, Rs 5 on allotment (including Rs 3 premium); Rs 2 on first call and Rs 2 on second and final call. The prospectus provided that, in case of partial allotments money received in excess of application would be adjusted towards the amount due on allotment. Applications were received for 2,5,0000 shares. Out of which applications for 50,000 shares were rejected and other applicants were alloted shares on pro – rata basis.

Amar, whom , 1,000 shres were alloted did not pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Akbar , the holder of 500 shares did not pay both calls and his shares were forfeited after the second call.

80% of the forfeited shares were reissued to Anthony credited as fully paid – up for Rs 11 per share the whole of Amar shares being included.

Prepare Cash Book Journal proper and forfeited shares Account, of the company.

Question VIII

a) Give journal entries relating to forfeiture and re-issue of shares:

X Ltd, forfeited 50 shares of Rs 100 each issued at 10% premium, for non-payment of first call of Rs 30 per share. The second and final call of Rs 20 per share was not yet called. 20 of these shares were re-issued at Rs 80 paid- up Rs 50 per share.

[3]

b) Slow and Steady Ltd has an authorised capital of Rs 15,00,000 divided in to 1,00,000 equity shares of Rs 10 each and 50,000; 9% preference shares of Rs 10/- each. The company invited applications for all the preference shares and 90,000 equity shares . All the preference shares were subscribed called and paid; while subscriptions were received for 85,000 equity shares. During the year Rs 8 per share were called. Ram holding 1000 shares and Shyam holding 2000 shares did not pay first call of Rs 2. Their shares, were forfieted after first call and later 1500 of the forfieted shares were re –issued at Rs 6/- per share as Rs 8 called – up.

Show capital in the Balance Sheet as per schedule III, Part I of the Companies Act, 2013

[9]

Section – B

(Answer any two question)

Question IX

a) From the following information, calculate:

i. Debt to Equity Ratio;

ii. Working capital Turnover Ratio:

iii. Return on Investment

Information:

Equity Share Capital	Rs 5,50,000;
General Reseve	Rs 50,000;
Statement of Profit/ Loss (profit after interest & Tax)	Rs 1,00,000
9 % Debentures	Rs 2,00,000;
Creditors	Rs 1,00,000;
Land & Buildings	Rs 6,50,000;
Equipments	Rs 1,50,000;
Debtors	Rs 1,45,000;
Cash	Rs 55, 000;

Revenue from operations (Net sales) for the year ended 31st March, 2019 was Rs 15,00,000 and Tax paid 50%.

[6]

b) Calculate Debt to Total Assets Ratio from the following.

Fixed Assets (gross)	18,00,000
Non- current Investments	3,00,000
Long – term Loans & Advances	1,20,000
Current Assets	7,50,000
Accumulated Depreciation	3,00,000
Current liabilities	6,00,000
Long – term Borrowings	9,00,000
Long – term Provisions	3,00,000

[2]

c) Form the following information , Calclate Interest Coverage Ratio:

Coverage Ratio :	Rs
10000 equity shares of Rs 10 each	1,00,000
8% Preference Shares	70,000
10% Denbentures	50,000
Long - term Loans from Bank	50,000
Interest on long- term loans	5,000
Profit after Tax	75,000
Tax	9000

estion X

a) State any two objectives of comparative Balance Sheet. [2]

b) The Quick Ratio of Z Ltd is 1:1. State with reason which of the following transactions would i) increase ii) decrease iii) no change in ratio

i. Include in the Trade payable was a Bill payable of Rs 3,000 which was met on maturity.

ii. Debentures of Rs 50,000 were converted in to equity shares. [2]

c) From the following information prepare Provision for the Tax Account for ascertaining Cash Flow from Operating Activities:

Particulars	**Opening Balance Rs**	**Closing Balance Rs**
Provisions for Tax	80,000	1,10,000

Provision for Tax made during the year Rs 1,00,000 [2]

d) Prepare Common – Size Balance Sheet from the following Information: [4]

Particulars	31st March, 2019 Rs	31st March, 2018 Rs
Share holder's fund	18,00,000	12,00,000
Non- current liabilities	6,00,000	6,00,000
Current liabilites	6,00,000	2,00,000
Non- current Assets	21,00,000	14,00,000
Current Assets	9,00,000	6,00,000

Question XI

From the following Balance Sheet of Bharat Ltd, as at 31st March, 2019 and dditional information prepare its cash Flow Statement as per A's – 3 (Revised) for the year nded 31st March, 2019:

	Note	31-03-2019 Rs	31-03-2018 Rs
I. Equity and Liabilities:			
1. Share holders Funds			
a. Share capital	1	8,00,000	5,00,000
b. Reserves and Surplus	2	2,50,000	1,30,000
2. Non – current Liabilities			
Long- term Borrowings	3	4,00,000	3,00,000
3. Current Liabilities:			
a. Trade Payables		1,45,000	90,000
b. Other Current Liabilities	4	50,000	10,000
Total:		16,00,000	10,30,000

II. Assets:		
1) Non – Current Assets:		
a. Fixed Assets :		
Tangible Assets(Machinery)	7,00,000	4,20,000
b. Non – Current – Investments	2,75,000	3,50,000
2) Current Assets :		
a. Inventories	3,00,000	1,50,000
b. Trade Receivable	1,50,000	10,000
c. Cash and Bank Balance	1,75,000	1,00,000
Total :	16,00,000	10,30,000

Notes to Accounts	31-3-2019 (Rs)	31-3-2018 (Rs)
1. Share Capital :		
Equity Share Capital	700,000	3,00,000
9% Preference share capital	1,00,000	2,00,000
2. Reserves & Surplus :		
General Reserve	1,50,000	1,200,000
Surplus	1,00,000	10,000
3. Long – term Borrowings :		
10% Public Deposits	4,00,000	3,00,000
4. Other Current Liabilities :		
Premium on Redemption of Debentures	5,000	10,000

Note: Proposed dividend on equity shares for the Accounting years 2017 – 18 and 2018 – 19 are Rs 30,000 and Rs70,000 respectively.

Additional Information:

1. Machinery costing Rs 2,50,000 on which depreciation charged was Rs 80,000, was sold for Rs 1,5,0,0,0.00
2. Depreciation charged during the year Rs 70,000
3. Preference shares were redeemed at a premium of 5% on 1st April, 2018.
4. A part of Non – current Investments was sold at a profit of 20%.
5. New public deposits were accepted on 1st October, 2018 and equity shares were issued on 31st March , 2019. **[10]**