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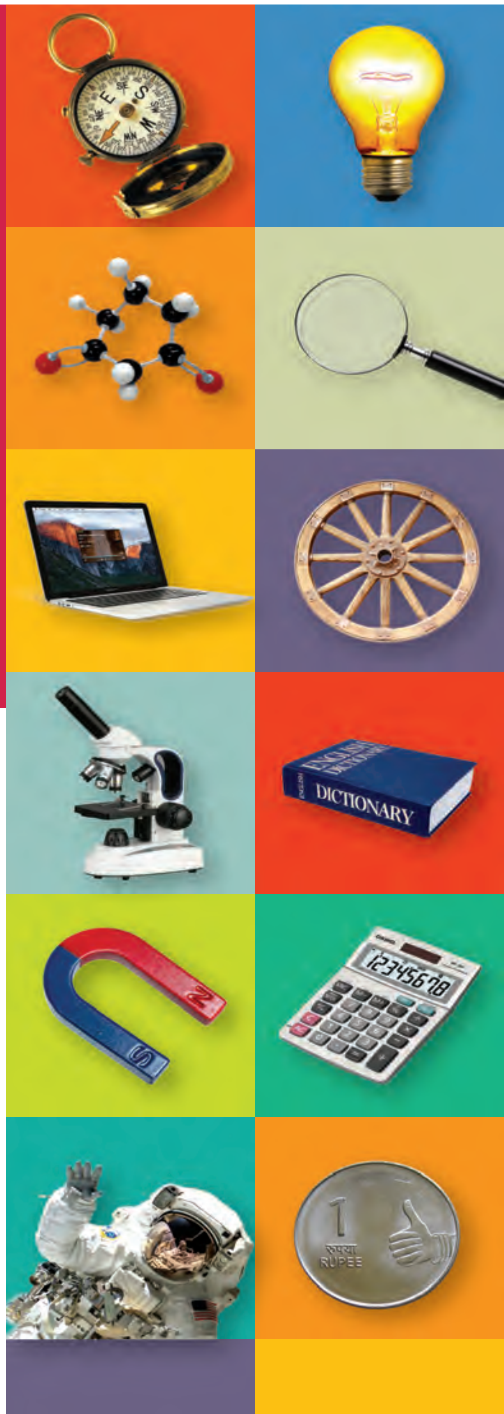
ACCOUNTS



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LATEST SYLLABUS

Accounts

CLASS 12

There will be two papers in the subject.

***Paper I -** Theory: 3 hours ……80 marks*

***Paper II-** Project Work ……20 marks*

PAPER - I (THEORY) – 80 Marks

There will be one paper of 3 hours duration of 80 marks divided into three Sections A, B and C.

*It will be **compulsory** for all candidates to attempt **Section A.***

***Section A (60 Marks) :** will consist of **two** parts, **Part I** and **Part II** and have a total of **eight** questions.*

***Part I (12 Marks) :** will consist of **Question 1 (compulsory).** This question will include short answer questions, testing knowledge, application and skills relating to elementary/ fundamental aspects. Question 1 will be based on **Section A** of the syllabus.*

***Part II (48 Marks) :** Candidates will be required to answer **four** questions out of **seven** from this part. Each question shall carry 12 marks. Part II will also be based on **Section A** of the syllabus.*

***Section B/ C (20 marks) :** Candidates will have a choice of attempting questions **either** from **Section B** or **Section C.** Candidates will be required to answer two questions out of **three** from the section of their choice. Each question shall carry 10 marks.*

SECTION A

1. Partnership Accounts

A. Fundamentals of Partnership

(i) Definition, meaning and features of a Partnership.

Self explanatory.

(ii) Provisions of The Indian Partnership Act, 1932, with respect to books of accounts.

(a) Meaning and importance.

(b) Rules applicable in the absence of a partnership deed.

(iii) Preparation of Profit and Loss Appropriation Account and Partners' Capital and Current Accounts.

(a) Profit and Loss Appropriation Account.

(b) Partners' capital accounts: fixed and fluctuating.

(c) Partners' Current Accounts when fixed capital method is followed

Interest on capital, interest on drawings, interest on current accounts (debit and credit) salary, commission to partners and managers, transfer to reserves, division of profit among partners,

(d) Guarantee of profits

(e) Past adjustments (Relating to interest on capital, interest on drawing, salary and Profit Sharing Ratio).

NOTE:

- *Interest on loan given by the partner to the firm is to be taken as a charge against profits. This interest will be debited to the P/L account and credited to his loan account.*
- *Interest on loan taken by a partner from the firm should be credited to P/L account and debited to his capital current account as the case may be.*
- *Rent paid to a partner is a charge against profit and is to be credited to partners' current account in case of fixed capital system or to partners' capital account when capitals are fluctuating.*
- *Admission of manager as a Partner is excluded.*

B. Goodwill

Concept of goodwill and mode of valuation.

(a) Meaning, nature and features of Goodwill.

(b) Factors affecting the value of goodwill.

(c) Mode of Valuation.

- *Average profit method – Meaning and practical application.*
- *Simple average.*
- *Weighted average method.*
- *Super profit method – Meaning and practical application.*
- *Capitalization method – Meaning and practical application.*
- *Capitalization of average profit.*
- *Capitalization of super profit.*

NOTE : Capital Employed/Net assets are Total assets (excluding goodwill if existing in the balance sheets and fictitious assets) less outside liabilities.

C. Reconstitution of Partnership

I. Admission

(i) Calculation of new profit sharing ratio, sacrificing ratio and gaining ratio.

Self Explanatory

(ii) Accounting treatment of goodwill on admission of a partner.

Based on Accounting Standard – 26 issued by the Institute of Chartered Accountants of India in the context of Intangible Assets.

(a) Premium for goodwill paid privately.

(b) Premium for goodwill paid (in cash or kind) and retained in the business.

(c) *Premium for goodwill paid and withdrawn by the old partners.*

(d) *When the incoming partner cannot bring premium for goodwill in cash, adjustments are to be done through his current account.*

(e) *Hidden goodwill.*

(f) *When goodwill appears in the old Balance Sheet.*

(iii) Preparation of Revaluation Account.

Preparation of a Revaluation Account where changes in the values of assets and liabilities are reflected in the new Balance Sheet after reconstitution of a partnership firm.

NOTE : *Memorandum revaluation account is excluded from the syllabus.*

(iv) Accounting treatment of accumulated profits and losses.

General Reserve / Reserve Fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit balance) and Advertisement Suspense Account/Deferred Revenue Expenditure.

(v) Adjustment of Capitals.

(a) *Adjustment of old partner's Capital Accounts on the basis of the new partner's capital.*

(b) *Calculation of new partner's capital on the basis of old partner's adjusted capital.*

(vi) Change in Profit Sharing Ratio.

Change in PSR takes place at the time of admission of a partnership firm.

Accounting treatment of accumulated profits and losses through one journal entry :

Gaining partners cap/current A/c Dr.

To sacrificing Partners cap/current (in case of profits).

Sacrificing partners' cap/current A/c Dr. To Gaining Partners cap/current (in case of losses)

General Reserve/ Reserve fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/ Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit Balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

II. Retirement and death of a partner

(i) Calculation of new profit sharing ratio, gaining ratio and sacrificing ratio.

Self Explanatory.

(ii) Adjustment with regard to goodwill including hidden goodwill.

Self Explanatory.

(iii) Adjustment with regard to undistributed profits and losses.

Self Explanatory.

(iv) Adjustment with regard to share of profits of the retiring or deceased partner from the date of the last Balance Sheet to the date of retirement or death (on the basis of time or turnover).

Through P & L Suspense A/c (in case of no change in PSR of remaining partners).

Through Gaining Partners capital/ current A/c (in case of change in PSR of remaining partners).

(v) Preparation of Revaluation Account on retirement or death of a partner.

Self Explanatory.

(vi) Adjustment of capitals.

(a) *Readjusting the adjusted capital of the continuing partners in the new profit sharing ratio.*

(b) *Adjusting the capitals of the continuing partners on the basis of the total capital of the new firm.*

(c) *When the continuing partners bring in cash to pay off the retiring partners.*

(vii) Calculation and payment of amount due to retiring partner.

Self Explanatory.

(viii) Preparation of retiring partner's loan accounts and deceased partner's executor's loan account (with interest on loan accrued and due and interest on loan accrued but not due).

Self Explanatory.

(ix) *Change in Profit Sharing Ratio. Change in PSR takes place at the time of retirement / death of a partnership firm.*

Accounting treatment of accumulated profits and losses through one journal entry:

Gaining partners cap/current A/c Dr. To sacrificing Partners cap/current (in case of profits).

Sacrificing partners' cap/current A/c Dr. To Gaining Partners cap/current (in case of losses)

General Reserve/ Reserve fund, Workmen Compensation Reserve/ Fund, Investment Fluctuation Reserve/ Fund, Contingency Reserve, Profit and Loss Account (Debit and Credit Balance) and Advertisement Suspense Account/ Deferred Revenue Expenditure.

NOTE:

- *Preparation of Balance Sheet in Partnership Accounts to be done in Horizontal format only.*
- *Memorandum Revaluation Account, Joint Life Policy, Individual life policy are excluded from the syllabus.*

IV. Dissolution of a Partnership firm.

(i) *Meaning of dissolution and settlement of accounts under Section 48 of The Indian Partnership Act 1932.*

Self Explanatory

(ii) Preparation of Realization Account, Partner's Loan Account, Partner's Capital Account and Cash/Bank Account.

Self-explanatory.

NOTE :

- *When an asset or a liability is taken to the realization account any corresponding/related fund or reserve is also transferred to realization account and not to capital account.*
- *When accounts are prepared on a fixed basis, partners current account balances are to be transferred to capital account. No adjustments are required to be passed through current account.*
- *Bank overdraft is to be taken to the bank/cash A/c and not to be transferred to realization account but bank loan must be transferred to realization account.*
- *If question is silent about the payment of a liability, then it is has to be paid out in full.*
- *If the question is silent about the realization of an asset, its value is assumed to be nil.*
- *Loan taken from a partner will be passed through cash or bank account.*
- *Loan given to a partner will be transferred (debited) to his Capital account.*
- *Admission cum retirement, amalgamation of firms and conversion/sale to a company together with piecemeal distribution and insolvency of a partner / partners not required.*

2. Joint Stock Company Accounts

A. Issue of Shares

Problems on issue of shares.

(a) Issue of shares at par and premium under Companies Act, 2013.

(b) Issue of shares for considerations other than cash :

- To promoters (can be considered either through Goodwill account or Incorporation costs account).
- To underwriters.
- To vendors.

(c) Calls in arrears, calls in advance and interest thereon including the preparation of ledger accounts.

(d) Over and undersubscription (including prorata allotment).

NOTE : *In prorata allotment when shares are issued at a premium, excess money received on application will first be adjusted towards the share capital. Any excess thereon will be utilized towards the Securities Premium Reserve.*

When allotment or any call money is due, it is to be transferred to the calls in arrears account, on which interest if provided in the Articles of Association will be calculated.

(e) Forfeiture and reissue of shares at par, premium or discount.

Self explanatory.

(f) Disclosure of Share capital in the company's Balance Sheet. *

NOTE : *Issue of bonus and rights shares, private placement of shares, sweat equity shares, employees' stock option scheme, reservations for small individual participants and minimum tradable lots are not required.*

B. Issue of Debentures

Problems on issue of debentures (at par, at premium and at discount.)

Problems on issue of debentures to include :

(a) Issue of debentures at par, at premium and at discount under Companies Act 2013.

(b) Issue of debentures as collateral security for a loan.

(c) Issue of debentures for considerations other than cash.

- *To promoters.*
- *To underwriters.*
- *To vendors*

(d) Accounting entries at the time of issue when debentures are redeemable at par and premium.

(e) Interest on debentures (with TDS).

(f) Disclosure of Debentures in the company's Balance Sheet.

(g) Disclosure of discount on issue of debentures in the company's Balance Sheet when debentures are redeemed in instalments.

NOTE : *Premium on the redemption of debentures to be recorded under the head → Non Current Liabilities, subhead → Long Term Borrowings.*

C. Redemption of Debentures

- *Creation of Debenture Redemption Reserve (DRR).*
- *Redemption of debentures out of profits.*
- *Redemption of debentures out of capital.*
- *Redemption of debentures in a lump sum.*
- *Redemption of debentures in annual instalments by draw of lots.*
- *Redemption of debentures by purchase in the open market.*

Self-Explanatory.

NOTE : Calculation of ex-interest and cuminterest are not required.

D. Final Accounts of Companies

Preparation of the Balance Sheet of a company (along with notes to accounts) as per Schedule III Part I of Companies Act 2013. **

NOTE : Schedule III Part II of Companies Act 2013 (Statement of Profit and Loss) is not required for the purpose of preparing final accounts of a Company.

However, for the preparation of Comparative and Common Size Income Statements (Section B – Unit 4: Financial Statement Analysis), the extent and format of the Statement of Profit and Loss as per Schedule III Part II of the Companies Act 2013 to be studied is as follows:

Statement of Profit and Loss for the year ended:………………..

	Particulars	Note No.	Figures for the current reporting period	Figures for the previous reporting period
I	Revenue operations			
II	Other Income			
III	Total Revenue (I+II)			
IV	Expenses : Cost of materials consumed Purchases of stock-in-trade Changes in inventories of finished goods Work-in- progress and Stock-in Trade Employee benefits expense finance costs Depreciation and amortization expense Other expenses Total expenses			
V	Profit before tax (III-IV)			
VI	Less Tax			
VII	Profit after Tax (V-VI)			

SECTION B
MANAGEMENT ACCOUNTING

3. Financial Statement Analysis

Comparative Statements and Common Size Statements.

Meaning, significance and limitations of Comparative Statements and Common Size Statements.

Preparation of Comparative Balance Sheet and Statement of Profit and Loss (inter-firm and intrafirm) showing absolute change and percentage change.

Common size Balance Sheet to be prepared as a percentage of total assets and total liabilities.

Common size Statement of Profit and Loss to be prepared as a percentage of Revenue from operations.

NOTE : Preparation of comparative statements and common size statements to be made from the Balance Sheets and Statements of P/L without notes to accounts.

4. Cash Flow Statement (Only for Non-Financing Companies)

(i) Meaning, importance and preparation of a Cash Flow Statement.

NOTE: Based on Accounting Standard – 3 (revised) issued by the Institute of Chartered Accountants of India.

(ii) Calculation of net cash flows from operating activities based on Indirect Method only.

Preparation of a Cash Flow Statement from two consecutive years' Balance Sheet with or without adjustments.

Preparation of complete/partial cash flow statement from extracts of Balance Sheets and Statements of P/L with or without adjustments.

NOTE : Any adjustment or an item in the Balance Sheet relating to issue of bonus shares, extraordinary items and refund of tax are not required.

(iii) Preparation of Cash Flow Statement on basis of operating, investing and financing activities.

The following items are to be taken when calculating net cash flows from financing activities:

- *Issue or redemption of shares and debentures at par.*
- *Interest paid on Long Term and Short Term Borrowings and dividend – interim and proposed/ paid on shares.*
- *Long term borrowings and Short term borrowings – bank overdraft, cash credit and short term loan. whether taken or repaid.*
- *Share issue expenses / underwriting commission paid.*

The following items are to be taken when calculating net cash flows from investing activities:

- *Cash purchase of fixed assets.*
- *Cash sale of fixed assets.*
- *Purchase of shares or debentures or long term investments of other companies.*

- *Interest and dividend received on shares or debentures or long term investments of other companies.*
- *Sale of shares or debentures or long term investments of other companies.*

The following items are to be taken for cash and cash equivalents:

- *Cash*
- *Bank*
- *Short term investments*
- *Marketable securities*

NOTE : Adjustments relating to provision for taxation, proposed dividend, interim dividend, amortization of intangible assets, profit or loss on sale of fixed assets including provision for/accumulated depreciation on them, Profit or loss on sale of investment are also included.

To calculate cash flow from operating activities the Adjusted Profit and Loss Account is not acceptable as per AS-3.

Calculation of Net Profit before Tax has to be shown as a Working Note.

5. Ratio Analysis

(a) Liquidity Ratios :

1. *Current Ratio :* $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

   Current Assets = Current Investments + Inventories (excluding Loose Tools and Spare Parts) + Trade Receivables + Cash and Bank Balance + Short-term Loans and Advances + Other Current Assets

   Current Liabilities = Short term borrowings + Trade payables + Other Current Liabilities + Short term Provisions

2. *Quick Ratio / Liquid Ratio :* $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

   OR

   $$\frac{\text{All Current Assets-Inventories (Excluding Loose Tools and Spare Parts)-Prepaid Expenses}}{\text{Current Liabilities}}$$

   OR

   $$\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

(b) Solvency Ratios :

1. *Debt to Equity Ratio:*

   $$\frac{\text{Debt / Long Term Debt}}{\text{Equity / Shareholders' Funds}}$$

   Debt = Long Term Borrowings + Long Term Provisions

   Equity / Shareholders' Funds = Share Capital + Reserves and Surplus

   OR

   Non Current Assets + (Current Assets – Current Liabilities) - Non Current Liabilities

   = Non Current Assets + Working Capital – Non Current Liabilities

   = (Tangible Assets + Intangible Assets + Non Current Investments + Long Term Loans and Advances) + Working Capital – (Long Term Borrowings + Long Term Provisions)

2. *Proprietary Ratio:*

   $$\frac{\text{Shareholders Funds / Equity}}{\text{Total Assets}}$$

   Total Assets = Non Current Assets + Current Assets

   = Tangible Assets + Intangible Assets + Non Current Investments + Long Term Loans and Advances

   +

   Current Investments + Inventories (including Loose Tools and Spare Parts) + Trade Receivables + Cash and Bank Balance + Short-term Loans and Advances + Other Current Assets

3. **Debt to Total Assets Ratio :** $\dfrac{\text{Debt}}{\text{Total Assets}}$

4. **Interest coverage ratio** =

   $$\frac{\textit{Net profit before interest and taxes}}{\textit{Interest}}$$

   Interest includes interest on only long term borrowings.

(c) Activity Ratios:

1. *Debtors Turnover Ratio will be replaced by Trade Receivable Turnover Ratio :* =

   $$\frac{\text{Credit Revenue from Operation}}{\text{Average Trade Receivable}}$$

   Credit Revenue from Operation = Revenue from Operation – Cash Revenue from Operation

   Average Trade Receivables =

   $$\frac{\text{Opening Trade Receivables + Closing Trade Receivable}}{2}$$

2. *Creditors Turnover Ratio will be replaced by Trade Payable Turnover Ratio :* =

   $$\frac{\text{Net Credit Purchases}}{\text{Average Trade Payable}}$$

   Average Trade Payables =

   $$\frac{\text{Opening Trade Payable + Closing Trade Payable}}{2}$$

...contd.

3. *Working Capital Turnover Ratio* =

$$\frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

4. ***Stock Turnover Ratio will be replaced by <u>Inventory Turnover Ratio</u>*** =

$$\frac{\text{Cost of Goods Sold/ Cost of Revenue from Operation}}{\text{Average Inventory}}$$

Cost of goods sold = Opening Stock + Net Purchases + Direct Expenses – Closing Stock

Cost of Revenue from Operations = Revenue from Operations – Gross Profit

OR

Cost of Material Consumed (including direct expenses) + Change in inventories of WIP and Finished Goods

OR

Opening Inventory + Net Purchases + Direct Expenses – Closing inventory

Average Inventory =

$$\frac{\text{Opening Inventory} + \text{Closing Inventory}}{2}$$

(d) Profitability Ratios :

1. ***Gross Profit Ratio :***

$$\frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

Gross Profit = Revenue from Operations – Cost of Revenue from Operations/ Cost of Goods Sold Cost of Revenue from Operations = Cost of Material Consumed (including direct expenses) + Change in inventories of WIP and Finished Goods.

OR

Opening Inventory + Net Purchases + Direct Expenses – Closing inventory

2. ***Net Profit Ratio:*** =

$$\frac{\text{Net Profit}}{\text{Revenue from Operations}} \times 100$$

Net Profit = Gross profit + Other Income – Indirect Expenses – Tax

3. ***Operating Ratio :***

$$\frac{\text{Cost Revenue from Operations/ Cost of Goods Sold} + \text{Operating expenses}}{\text{Revenue from Operations}} \times 100$$

Operating Expenses = Employee Benefit Expenses + Depreciation and Amortisation Expenses + Selling and Distribution Expenses + Office and Administrative Expense.

Operating Income = Sale of scrap, trading commission received, cash discount received, revenue from services.

4. ***Operating Profit Ratio :***

$$\frac{\text{Net Operating Profit}}{\text{Revenue from Operations}} \times 100$$

Net operating profit = Net Profit after Tax + Non-Operating Expenses – Non Operating Incomes

OR

Gross Profit – Operating Expenses + Operating Incomes

Non Operating Expenses = Finance Cost (Interest on Borrowings) + Loss on sale of Non Current Assets

Non Operating Incomes = Interest and Dividend Received on Investment + Profit on sale of Non Current Assets

5. ***Earning per share :***

$$\frac{\text{Net Profit after Tax and Preference Dividend}}{\text{No. of Equity Shares}}$$

6. ***Price Earning Ratio***

$$\frac{\text{Market Value of an Equity and share}}{\text{Earning per share}}$$

7. ***Return on Investment***

$$= \frac{\text{Net Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$$

NOTE :

1. *Current Ratio includes Net Debtors (Gross Debtors – Provision for doubtful debts) while Trade Receivables Turnover Ratio includes Gross Debtors.*
2. *Capital employed = Shareholders' Funds + Non-current liabilities – non trade investments*

OR

Non-current assets (excluding Non-trade investments) + Working Capital

OR

Fixed Assets + Trade Investments + Working Capital

*EXPLANATION AND PRESENTATION OF ITEMS UNDER SHAREHOLDERS' FUNDS

Share Capital

Particulars	Note No.	Figures at the end of the current reporting period	Figures at the end of the previous reporting period
1	2	3	4
I. EQUITY AND LIABILITIES 1. Shareholders Funds (a) Share Capital	2	x x x	

Notes to Accounts : 1

Particulars	Amount (₹)
(a) Share Capital	
Authorised Capital ...... shares of ₹..... each	x x x
Issued Capital ..... shares of ₹..... each (of the above shares…..shares are allotted as fully paid up pursuant to a contract without payment being received in cash)	x x x
Subscribed Capital Subscribed and fully paid up ..... shares of ₹.... each	x x x
(of the above shares…..shares are allotted as fully paid up pursuant to a contract without payment being received in cash)	x x x
Subscribed but not fully paid up ..... shares of ₹.... each, ... ₹ Called up x x x Less calls –in- arrear (xx) Add Shares Forfeited A/c x	
Total	x x x

Points to be noted:

* Equity share capital and preference share capital to be shown separately.
  If the authorised/issued capital is not mentioned in the question it has to be shown in the notes to accounts. However no figures will be shown as illustrated above.

**FORMAT OF THE BALANCE SHEET OF A JOINT STOCK COMPANY

PART-1

BALANCE SHEET

Name of the Company...................

Balance Sheet as at........................ (Rupees in ....)

Particulars	Note No.	Figures at the end of the current reporting period	Figures at the end of the previous reporting period
1	2	3	4
I. EQUITY AND LIABILITIES			
1. Shareholders Funds			
(a) Share Capital			
(b) Reserves and Surplus			
(c) Money received against share warrants			
2. Share application money pending allotment			
3. Non- Current Liabilities			
(a) Long- term borrowings			
(b) Deferred tax liabilities (Net)			
(c) Other Long term liabilities			
(d) Long-term provisions			
4. Current Liabilities			
(a) Short term borrowings			
(b) Trade payables			
(c) Other current liabilities			
(d) Short term provisions			
Total			
II. ASSETS			
1. Non- Current Assets			
(a) Fixed Assets			
(i) Tangible Assets			
(ii) Intangible Assets			
(iii) Capital work-in-progress			
(iv) Intangible assets under development			
(b) Non-current Investments			
(c) Deferred Tax Assets (Net)			
(d) Long term loans and advances			
(e) Other non-current assets			
2. Current Assets			
(a) Current Investments			
(b) Inventories			
(c) Trade Receivables			
(d) Cash and Bank Balance			
(e) Short-term loans and advances			
(f) Other current assets			
Total			

ISC Solved Paper, 2018
Class-XII
Accounts

(Maximum Marks : 80)
(Time allowed : Three hours)

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*(i) **Part I of Section A** is Compulsory.*
*(ii) Answer **any 4** Questions from **Part II of Section A** and **any two** questions from **either Section B or Section C.***
(iii) The intended marks for questions or parts of questions are given in the brackets [].
(iv) Transactions should be recorded in the answer book.
***(v)** All calculations should be shown clearly.*
(vi) All working including rough work, should be done on the same page as, and adjacent to, the rest of the answer.

SECTION - A (60 Marks)

(Part I) (12 Marks)

*Attempt **all** questions.*

1. Answer briefly each of the following questions: **[6×2]**

(i) Give any two differences between Revaluation Account and Realisation Account.

(ii) Mention whether the following Trade Payables are *current liabilities* or *non-current liabilities*:

	Operating Cycle	Expected period of Payment
(a)	12 months	14 months
(b)	15 months	12 months

(iii) What is the minimum price at which a company can reissue its forfeited shares which were originally issued at par?

(iv) Give the *adjusting entry* and *closing entry* for interest on loan taken by a partner from the firm, when the firm follows the Fluctuating Capital Method.

(v) State any *two* reasons for a company to purchase its own debentures from the open market.

(vi) Give the formula for valuation of goodwill by the Capitalisation of Average Profit Method.

(Part II) (48 Marks)

*Answer **any four** questions.*

2. Saturn Ltd. was registered with an authorized capital of ₹ 12,00,000. divided into ₹ 1,20,000 equity shares of ₹ 10 each. It issued 40,000 equity shares to the public at a premium of ₹ 5 per share, payable as follows: **[12]**

On application ₹ 6
On allotment ₹ 9 (including premium of ₹ 5)

All the shares were applied for and allotted. One shareholder holding 500 shares did not pay the allotment money and his shares were forfeited. Out of the forfeited shares, the company reissued 400 shares at ₹ 7 per share fully called up.

You are required to:

(a) Pass journal entries in the books of the company.

(b) Prepare :

(i) Securities Premium Reserve Account,

(ii) Share Capital Account.

3. (A) On 1st April, 2013, Rayon Ltd. issued 2,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at par on 31st March, 2017. The issue was fully subscribed. To meet the provisions of the Companies Act, 2013, the Board of Directors decided to transfer ₹ 30,000 to Debenture Redemption Reserve on 31st March, 2014, and the balance on 31st March, 2015. On 1st April, 2016, the company made the required investment in government securities.

The investments were encashed and the debentures were redeemed on the due date.

It is the policy of the company to write off capital losses in the year in which they occur.

You are required to pass journal entries for issue and redemption of debentures (ignore interest on debentures). **[8]**

(B) On 1st April, 2016, Krayon Ltd. 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. **[4]**

4. (A) Asif and Ravi are partners in a firm, sharing profits and losses in the ratio of 3:2. Their fixed capitals as on 1st April, 2016, were ₹ 6,00,000 and ₹ 4,00,000 respectively.

Their partnership deed provides for the following:.

(a) Partners are to be allowed interest on their capital @ 10% per annum.

(b) They are to be charged interest on drawings @ 4% per annum.

(c) Asif is entitled to a salary of ₹ 2,000 per month.

(d) Ravi is entitled to a commission of 5% of the correct net profit of the firm before charging such commission.

(e) Asif is entitled to a rent of ₹ 3,000 per month for the use of his premises by the firm.

The net profit of the firm for the year ended 31st March, 2017, before providing for any of the above clauses was ₹ 4,00,000.

Both partners withdrew ₹ 5,000 at the beginning of every month for the entire year.

You are required to prepare a Profit and Loss Appropriation Account for the year ended 31st March, 2017. **[8]**

(B) Rita, Nina and Mita are partners in a firm sharing profits and losses in the ratio of 3:2:1. Mita dies on 1st April, 2017. On the date of her death, it was decided to value goodwill on the basis of two years' purchase of weighted average profits of the firm for the last three years.

The profits of the last three years and weights assigned were :

Year	Profit	Weights assigned
2014-15	30,000 (including gain from speculation ₹ 10,000)	1
2015-16	80,000	2
2016-17	1,00,000	3

(i) Calculate the firms goodwill on the date of Mita's death (show working formula).

(ii) Pass the necessary journal entry to credit Mita's capital account with her share of goodwise. **[4]**

5. Annie and Bonnie are partners in a firm, sharing profits and losses equally. Their Balance Sheet as at 31st March, 2017, was as follows:

Balance Sheet of Annie and Bonnie
As at 31st March, 2017

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		21,000	Cash at Bank		20,000
General Reserve		15,000	Sundry Debtors	22,000	
Capital A/c			Less Provision for Doubtful Debts	(1,000)	21,000
Annie	45,000		Stock		10,000
Bonnie	40,000	85,000	Plant & Machinery		60,000
			Goodwill		10,000
		1,21,000			**1,21,000**

Carl was to be taken as a partner for 1/4 share in the profits of the firm, with effect from 1st April, 2017, on the following terms:

(a) Bad debts amounting to ₹ 1,500 to be written off.

(b) Stock to be taken over by Annie at ₹ 12,000.

(c) Plant and Machinery to be valued at ₹ 50,000.
(d) Goodwill of the firm to be valued at ₹ 20,000.
(e) Carl to bring in ₹ 50,000 as his capital. He was unable to bring his share of goodwill in cash.
(f) General Reserve not to be distributed. For this, it was decided that Carl would compensate the old partners through his current account.

You are required to:

(i) Pass journal entries on the date of Carl's admission.

(ii) Prepare the Balance Sheet of the reconstituted firm. **[12]**

6. **(A)** Harish, Paresh and Mahesh were three partners as sharing profits and losses in the ratio of 5:4:1. Paresh retired on 31st March, 2017. His capital on 1st April, 2016, was ₹ 80,000. During the year 2016-17, he made drawings of ₹ 5,000. He was to be charged interest on drawings of ₹ 100.

The partnership deed provides that on the retirement of a partner, he will be entitled to:
(i) His share of capital.
(ii) Interest on capital @ 10% per annum.
(iii) His share of profit for the year of his retirement.
(iv) His share of goodwill in the firm.
(v) His share in the profit/loss on revaluation of assets and liabilities.

Additional information:
(a) Paresh's share in the profits of the firm for the year 2016-17 was ₹ 20,000.
(b) Goodwill of the firm was valued at ₹ 24,000.
(c) The firm suffered a loss of ₹ 12,000 on the revaluation of assets and liabilities.
(d) It was decided to transfer the amount due to Paresh to his loan account bearing interest @ 6% per annum. The loan was to be repaid in two equal annual instalments, the first instalment to be paid on 31st March, 2018.

You are required to prepare:

(i) Paresh's Capital Account.

(ii) Paresh's Loan Account till it is finally closed. **[8]**

(B) Parth, Angad and Leesha are partners in a firm sharing profits and losses in the ratio of 3:2:1 respectively. Angad retires and his claim, including his Capital and entitlements from the firm including his share of Goodwill of the firm, is ₹ 50,000.

After this amount was determined, it was found that there was an unrecorded piece of furniture valued at ₹ 12,000 which had to be recorded.

Upon recording this piece of furniture, the revised amount due to Angad was determined and settled by giving him this piece of furniture and the balance in cash.

You are required to give the journal entries for recording the payment to Angad in the books of the firm. **[4]**

7. The following balances have been extracted from the books of Vanity Ltd. as at 31st March, 2017:

Trial Balance as at 31st March, 2017

Particulars	Debit ₹	Credit ₹
Equity Share Capital (5,000 shares of ₹ 100 each fully paid)		5,00,000
Fixed Assets	7,30,000	
Reverses and Surplus		2,00,000
Inventories	50,000	
Cash and Bank Balances	1,70,000	
Creditors		40,000
Bills Payable		20,000
Underwriting Commission on issue of shares	10,000	
5% Debentures (1/5 of the Debentures to be redeemed on 31st March, 2018)		2,00,000
Proposed Dividend		12,000
Interest accrued and due on 5% Debentures		8,000
Trade Receivables	20,000	
Total	**9,80,000**	**9,80,000**

You are required to prepare as at 31st March, 2017:

(i) The Balance Sheet of Vanity Ltd. as per Schedule III of the Companies Act, 2013.

(ii) Notes to Accounts. **[12]**

8. **(A)** Susan, Geeta and Rashi are partners sharing profits and losses in the ratio of 5:3:2. Their Balance Sheet as at 31st March, 2017, is as under:

Balance Sheet of Susan, Geeta and Rashi

As at 31st March, 2017

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		50,000	Cash at Bank		70,000
Workmen Compensation Reserve		25,000	Sundry Debtors	65,000	
Employees Provident Fund		5,000	*Less* Provision for Doubtful Debts	(5,000)	60,000
Bank Loan		55,000	Goodwill		50,000
Capital A/c			Furniture		1,00,000
Susan	2,20,000		Building		3,80,000
Geeta	1,70,000				
Rashi	1,35,000	5,25,000			
		6,60,000			**6,60,000**

The partners decided to dissolve their partnership on 31st March, 2017.

The following transactions took place at the time of dissolution :

(a) Realization expenses of ₹ 2,000 were paid by Susan on behalf of the firm.

(b) Geeta took over the goodwill for her own business at ₹ 40,000.

(c) Building was taken over by Rashi at ₹ 3,00,000.

(d) Only 80% of the debtors paid their dues.

(e) Furniture was sold for ₹ 97,000.

(f) Bank Loan was settled along with interest of ₹ 5,000.

You are required to prepare the Realization Account. **[8]**

(B) The capital accounts of Amar and Harsh stood at ₹ 20,000 and ₹ 30,000 respectively after the necessary adjustments in respect of drawings and net profit for the year ended 31st March, 2017. It was subsequently ascertained that interest on capital @ 12% per annum was not taken into account while arriving at the divisible profits for the year.

During the year 2016-17, Amar had withdrawn ₹ 2,000 and Harsh's drawings were ₹ 1,000.

The net profit for the year amounted to ₹ 15,000.

The partners shared profits and losses in the ratio of 3:2.

You are required to pass the necessary journal entries to rectify the error in accounting. **[4]**

SECTION - B

(20 Marks)

Answer any two questions.

9. (A) You are required to prepare a Cash-Flow Statement (as per AS-3) for the year 2016-17 from the following Balance Sheet.

Balance Sheet of Honesty Ltd.
As at 31st March, 2016 and 31st March, 2017

		Particulars	Note No.	31.03.2017 ₹	31.03.2016 ₹
I		**EQUITY AND LIABILITIES**			
	1.	**Shareholders Funds**			
		(a) Share Capital (Equity Share Capital)		14,00,000	10,00,000
		(b) Reserves and Surplus (Statement of P/L)		5,00,000	4,00,000
	2.	**Non-Current Liabilities**			
		Long Term Borrowing (10% Debentures)		5,00,000	1,40,000
	3.	**Current Liabilities**			
		(a) Short Term Borrowings (Bank Overdraft)		20,000	30,000
		(b) Trade Payables (Creditors)		1,00,000	60,000
		(c) Short Term Provisions	1.	60,000	30,000
		TOTAL		**25,80,000**	**16,60,000**
II		**ASSETS**			
	1.	**Non-Current Assets**			
		Fixed Assets	2.	16,00,000	9,00,000
		(i) Tangible		1,40,000	2,00,000
		(ii) Intangible (Goodwill)			
	2.	**Current Assets**			
		(a) Inventories		2,50,000	2,00,000
		(b) Trade Receivables		5,00,000	3,00,000
		(c) Cash and Bank Balances (Cash at Bank)		90,000	60,000
		TOTAL		**25,80,000**	**16,60,000**

Notes to Accounts:

	Particulars	31.03.2017 ₹	31.03.2016 ₹
1.	**Short term provisions**		
	provision for taxation	60,000	30,000
2.	**Fixed Assets (Tangible)**		
	Plant and Machinery	17,60,000	10,00,000
	Less Accumulated Depreciation	(1,60,000)	(1,00,000)
		16,00,000	**9,00,000**

Additional Information :

During the year 2016-17:

(i) A part of the machine, costing ₹ 50,000, accumulated depreciation thereon being ₹ 20,000, was sold for ₹ 18,000.

(ii) Tax paid ₹ 20,000.

(iii) Interest of ₹ 50,000 paid on Debentures. **[8]**

(B) State whether the following would result in *inflow*, *outflow* or *no flow* of cash: **[2]**

(i) Bill Receivable endorsed to Creditors.

(ii) Old vehicle written off.

10. (A) Give *any two* differences between *horizontal analysis* and *vertical analysis* of financial statements. **[2]**

(B) The Quick Ratio of a company is 0.8:1. State whether the Quick Ratio will *improve, decline* or *will not change* in the following cases:

(i) Cash collected from Debtors ₹ 50,000.

(ii) Creditors of ₹ 20,000 paid off. **[2]**

(C) From the following information, prepare a Common Size Statement of Profit and Loss of Prudence Ltd. for the year ending 31st March, 2017:

Particulars	**31.03.2017**
	₹
Revenue from Operations	20,00,000
Purchases	15,00,000
Changes in inventories	1,00,000
Other Income (Dividend received)	40,000
Depreciation and Amortization expenses	60,000
Tax Rate @ 40%	

[6]

11. (A) Calculate the Net Profit Ratio (up to two decimal places) from the following information: **[2]**

Particulars	₹
Gross profit	80,000
Salary and rent	30,000
Interest on Debentures	5,000
Gain on sale of furniture	2,000
Revenue from Operations	4,00,000

(B) From the following information calculate the following ratios (up to two decimal places): **[8]**

(i) Earning per share

(ii) Price Earning Ratio

(iii) Return on Investments

(iv) Working Capital Turnover Ratio

Particulars	₹
Net profit after interest and tax	2,40,000
Tax	1,60,000
Net Fixed Assets	10,00,000
Non-current Investments (Non-Trade)	1,00,000
Equity Share Capital (face value ₹ 10 per share)	5,00,000
15% Preference Share Capital	1,00,000
Reserves and Surplus (including surplus of the year under consideration)	2,00,000
10% Debentures	4,00,000
Revenue from Operations	10,00,000
Working Capital	1,00,000

Note: The market value of an equity share is ₹ 40.

SECTION - C

(20 Marks)

*Answer **any two** questions*

12. **Sales Information of Asha Traders**

	A		B	C	D	E	F
1.	Particulars		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
2.	Unit sold (in kg)		3500	4300	3100	4700	
3.	Sales Revenue	(₹)					
4.	Cost of Goods Sold	(₹)					
5.	Cross Profit	(₹)					
6.	Electricity Expenses	(₹)	18000	16000		22000	76000
7.	Advertisement Expenses	(₹)	22000	26000		18000	28000
8.	Total Cost	(₹)					
9.	Net Profit	(₹)					
10.	Selling price per unit	(₹)	50	50	50	50	
11.	Cost price per unit	(₹)	35	35	35	35	

Based on the information given in the spread sheet above, write the formula for calculating each of the following:

(a) Sales Revenue for Quarter 1 in cell $\mathbf{B_3}$. **[2]**

(b) Cost of Goods Sold for Quarter 2 in cell $\mathbf{C_4}$. **[2]**

(c) Total Advertisement Expenses incurred in cell $\mathbf{F_7}$. **[2]**

(d) Gross Profit for Quarter 4 in cell $\mathbf{E_5}$. **[2]**

(e) Electricity Expenses for Quarter 3 cell $\mathbf{D_6}$. **[2]**

13. (a) What is meant by *cell address*? **[2]**

(b) State any one method of removing data from a cell in a spreadsheet. **[2]**

(c) Give the full form of SQL. **[2]**

(d) State the significance of the following in DBMS : **[2]**

(i) Forms

(ii) Reports

(e) What is the use of legends in a chart? **[2]**

14. (a) What is the difference between .importing and exporting of a database? **[2]**

(b) State the main advantages of an Action Query. **[2]**

(c) Mention any two of the available values that are used in indexed property. **[2]**

(d) Write the steps to filter a table. **[2]**

(e) What is meant by *freezing panes*? **[2J**

❐❐

SOLUTIONS

SECTION - A (60 Marks)

(Part I)

1.

(i)

S. No.	Revaluation Account	Realisation Account
1	It records the effect of revaluation of assets and reassessment of liabilities.	It records the realization of assets and settlement of liabilities.
2	It is prepared at the time of admission, retirement or death of a partner.	It is prepared at the time of dissolution of the firm
3	Only changes in the value of assets and liabilities are recorded.	The book value of all realizable assets and outside liabilities are recorded.
4	Entries relating to assets and liabilities are made on the basis of difference between the book values and revalued figures.	Entries relating to assets and liabilities are made on the basis of their book values and actual payments.
5	The account may be prepared a number of times during the life of the firm.	The account is prepared only once during the life time of the firm at the time of its dissolution.
6	As a result of entries posted in the account the accounts of assets and liabilities are not closed.	As a result of entries posted in the account, the accounts of assets and liabilities are closed,

(Any two)

(ii) (a) Non-current liability **2 marks**

(b) Current liability

(iii) Amount equal to the unpaid amount on the forfeited shares/calls-in-arrears. **2 marks**

(iv) Adjusting entry:

Partner's Capital A/c **Dr.** –

To Interest on Loan A/c

Closing entry:

Interest on Loan A/c **Dr.** –

To Profit & Loss A/c **2 marks**

(v) The company may purchase its own debentures in the open market with the objective of:

(i) Immediate cancellation

(ii) Keeping them as investments (to be cancelled at a later date). **2 marks**

(vi) Goodwill =

Capitalised Average Profit – Actual capital employed/net assets

Where Capitalized Average Profit $= \dfrac{\text{Average profit} \times 100}{\text{Normal Rate of Return}}$ **2 marks**

Actual capital employed = Assets (excluding purchased Goodwill and fictitious assets) – outside liabilities

(Part II)

2. **[12]**

(a) **Journal of Saturn Ltd.**

Date	Particulars	L.F.	Amount ₹	Amount ₹
	Bank A/c Dr		2,40,000	
	To share Application A/c			2,40,000
	(Being share application money received)			
	Share Application A/c Dr		2,40,000	
	To Equity Share Capital A/c			2,40,000
	(Being share application transferred to share capital A/c)			
	Share Allotment A/c Dr		3,60,000	
	To Equity Share Capital A/c			1,60,000
	To Securities Premium / SPR			2,00,000
	(Being share allotment money due)			
	Bank A/c Dr		3,55,500	
	Calls-in-Arrear A/c Dr		4,500	
	To Share Allotment A/c			3,60,000
	(Being share allotment money received)			
	Equity Share Capital A/c Dr		5,000	
	Securities Premium / SPR A/c Dr		2,500	
	To Share Forfeiture A/c			3,000
	To Calls-in-Arrear A/c			4,500
	(Being 500 shares forfeited)			
	Bank A/c Dr		2,800	
	Share forfeiture A/c Dr		1,200	
	To Equity Share Capital A/c			4,000
	(Being 400 shares reissued)			
	Share Forfeiture A/c Dr		1,200	
	To Capital Reserve A/c			1,200
	(Being gain on reissued shares transferred to capital reserve)			

(b) (i) **Securities Premium Reserve Account**

Particulars	Amount	Particulars	Amount
To calls-in-arrear	2,500	By Share Allotment A/c	2,00,000
To Balance c/d	1,97500		
	2,00,000		**2,00,000**

(ii) **Share Capital Account**

Particulars	Amount	Particulars	Amount
To Share Forfeiture A/c	3,000	By Share Application A/c	2,40,000
To Calls-in-arrears	2,000	By Share Allotment A/c	1,60,000
To Balance c/d	3,99,000	By Bank A/c	2,800
		By Share Forfeiture A/c	1,200
	4,04,000		**4,04,000**

3.

(A) Journal of Rayon Ltd. **8**

Date	Particulars		L.F.	Amount ₹	Amount ₹
1/4/2013	Bank A/c	Dr		1,80,000	
	To Deb. Application and Allotment A/c				1,80,000
	(Being deb. App. and allotment money received)				
	Deb. Application and allotment A/c	Dr		1,80,000	
	Discount on issue of Debentures A/c	Dr		20,000	
	To 9% Debentures A/c				2,00,000
	(Being debentures issued)				
31/3/2014	Surplus in Statement of P/L	Dr		30,000	
	To Debentures Redemption reserve				30,000
	(Being money transferred to Debentures Redemption reserve)				
31/3/2014	Statement of P/L	Dr		20,000	
	To Discount on issue of Debentures				20,000
	(Being discount on issue of Debentures written off)				
31/3/2015	Surplus in statement of P/L	Dr		20,000	
	To Debentures Redemption reserve				20,000
	(Being balance as per requirement transferred to DRR)				
1/4/2016	Debentures Redemption Investment A/c	Dr		30,000	
	To Bank A/c				30,000
	(Being purchase of investment equal to 15% of the face value of debentures to be redeemed)				
31/3/2017	Bank A/c	Dr		30,000	
	To DRI				30,000
	(Being DRI sold)				
31/3/2017	Debentures A/c	Dr		2,00,000	
	To Debentures holder A/c				20,0000
	(Being amount due to the debenture holder)				
31/3/2017	Debentures holder A/c	Dr		2,00,000	
	To Bank				20,0000
	(Being debentures redeemed)				
31/3/2017	Debentures Redemption Reserve A/c	Dr		50,000	
	To General Reserve				50,000
	(Being DRR transferred to GR)				

(B) **Journal Krayon Ltd.** **4**

Date	Particulars	L.F.	Amount ₹	Amount ₹
1/4/2016	Bank A/c Dr		800000	
	To Debenture Application and Allotment A/c			8,00,000
	(Being Deb. Application and allotment received)			
	Debentures Application and allotment A/c Dr		800000	
	To 12% Debentures A/c			8,00,000
	(Being debentures issued)			
31/3/2017	Debenture interest A/c Dr		96,000	
	To Debenture holder's A/c			76,800
	To TDS			19,200
	(Being interest due to Debentures holders)			
31/3/2017	Debentures Holders A/c Dr		76,800	
	TDS Dr		19,200	
	To Bank A/c			96,000
	(Being interest and TDS paid)			
	OR			
	Debenture holder Dr		76,800	
	To Bank			76,800
	(Being debenture interest paid)			
	TDS Dr		19,200	
	To Bank A/c			19,200
	(Being TDS paid)			
31/3/2017	Statement of P/L Dr		96,000	
	To Debenture Interest			96,000
	(Being Debenture interest written off)			

4. (A) **Profit and Loss Appropriation A/c** **8**

for the year ending 31st March, 2017

Particulars		Amount ₹	Particulars		Amount ₹
To interest on capital A/c			By P/L A/c (N/P)	4,00,000	
Asif's Current A/c	60,000		Less Rent	(36,000)	3,64,000
Ravi's Current A/c	40,000	1,00,000	By interest on drawings		
			Asif's Current A/c	1,300	
Asif's Current A/c (Salary)		24,000	Ravi's Current A/c	1,300	2,600
Ravi's Current A/c (Commission)		18,200			
To Asif's Current A/c		1,34,640			
To Ravi's Current A/c		89,760			
		3,66,600			**3,66,600**

(B) Rita Nina Mita **[4]**

Or 3 2 1

GR 3 : 2

(i) Goodwill = weighted average profit × number of years' purchase.

$$= \frac{\text{Total product}}{\text{Total weight}} \times \text{number of years' purchase}$$

Year	Profit	Weight	Product
2014-15	20,000	1	20,000
2015-16	80,000	2	1,60,000
2016-17	1,00,000	3	3,00,000
		6	4,80,000

$$\text{Goodwill} = \frac{4,80,000}{6} \times 2 = 1,60,000$$

$$\text{Mita's share of goodwill} = \frac{1,60,000}{6} = 26,666.67$$

(ii) **Journal**

Date	Particulars	L.F.	Amount ₹	Amount ₹
	Rita's Capital A/c Dr		16,000	
	Nina's Capital A/c Dr		10,667	
	To Mita's Capital A/c			26667
	(Being Mita's Capital A/c credited with her share of GW in the gaining ratio)			

5. **[12]**

Journal

Date		L.F.	Amount ₹	Amount ₹
	Bank A/c Dr		50,000	
	To Carl's Capital A/c			50,000
	(Being cash brought in by Carl for Capital)			
	Carl's Current A/c Dr		5,000	
	To Annie's Capital A/c			2,500
	To Bonnie's Capital A/c			2,500
	(Being old partners compensated for GW in the sacrificing ratio)			
	Prov. for Doubtful Debts A/c Dr		1,000	
	Revaluation A/c Dr		500	
	To Debtors A/c			1,500
	(Being bad debts written off)			
	Revaluation A/c Dr		10,000	
	To Plant and Machinery A/c			10,000
	(Being loss on plant and machinery)			

	Stock A/c ... Dr		2,000	
	To Revaluation A/c			2,000
	(Being stock revalued)			
	Annie's Capital A/c ... Dr		4,250	
	Bonni's Capital A/c ... Dr		4,250	
	To Revaluation A/c			8,500
	(Being loss on revaluation written off in OR)			
	Annie's Capital A/c ... Dr		12,000	
	To Stock A/c			12,000
	(Being stock taken over by Annie)			
	Annie's Capital A/c ... Dr		5,000	
	Bonnie's Capital A/c ... Dr		5,000	
	To Goodwill A/c			10,000
	(Being Goodwill written off in OR)			
	Carl's Current A/c ... Dr		3,750	
	To Annie's Capital A/c			1,875
	To Bonnie's Capital A/c			1,875
	(Being old partners compensated for G Reserve in the SR)			

Working Notes :

Partners' Capital Accounts

Particulars	Annie	Bonnie	Carl	Particulars	Annie	Bonnie	Carl
To Revaluation A/c	4,250	4,250		By Balance b/d	45,000	40,000	
To Goodwill A/c	5,000	5,000		By Bank A/c			50,000
To Stock A/c	12,000			By Carl's Current A/c	2,500	2,500	
To bal. c/d	28,125	35,125	50,000	By Carl's Current A/c	1,875	1,875	
	49,375	**44,375**	**50,000**		**49,375**	**44,375**	**50,000**

Balance Sheet of Annie and Bonnie and Carl
As at 1st April, 2017

Liabilities		Amount ₹	Assets		Amount ₹
Sundry Creditors		21,000	Cash at Bank		70,000
General Reserve		15,000	Sundry Debtors	22,000	
Capital A/c			Less bad Debts	(1,500)	20,500
Annie	28,125		Plant & Machinery		50,000
Bonnie	35,125		Carl's Current A/c		8,750
Carl	50,000	1,13,250			
		1,49,250			**1,49,250**

6. (A) [8]

Paresh's Capital A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Drawings	5,000	By Balance b/d	80,000
To Invest on Drawings	100	By IOC	8,000
To Revaluation	4,800	By P/L Appropriation A/c	20,000
To Paresh's Loan A/c	1,07,700	By Harish's Capital A/c	8,000
		By Mahesh's Capital A/c	1,600
	1,17,600		1,17,600

Paresh's Loan A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31/3/2017	To Balance c/d	1,07,700	31/3/2017	By Paresh's Capital	1,07,700
		1,07,700			**1,07,700**
31/3/2018	To Bank	60,312	1/4/2017	By Balance b/d	1,07,700
31/3/2018	To Balanced c/d	53,850	31/3/2018	By IOL	6,462
		1,14,162			**1,14,162**
31/3/2019	To Bank	57,081	1/4/2018	By balance b/d	53,850
			31/3/2019	By IOL	3,231
		57,081			**57,081**

(B) [4]

Journal

Date	Particular	L.F.	Amount ₹	Amount ₹
	Furniture A/c Dr		12,000	
	To Revaluation A/c			12,000
	(Being furniture rewarded in book)			
	Revaluation A/c Dr		12,000	
	To Parth's Capital A/c			6,000
	To Angad's Capital A/c			4,000
	To Lessha's Capital A/c			2,000
	(Being transfer of profit on revaluation)			
	Angad's Capital A/c Dr		54,000	
	To Furniture A/c			12,000
	To Cash A/c			42,000
	(Being Angad's Claim Discharged)			

7. **[12]**

Balance Sheets of Vanity Ltd.
As at 31st March, 2017

	Particulars	Note No.	31.03.2017 ₹	31.03.2016 ₹
I	**EQUITY AND LIABILITIES**			
1.	**Shareholders's Funds**			
	(a) Share Capital	1	5,00,000	
	(b) Reserves and Surplus	2	1,90,000	
2.	**Non-Current Liabilities**			
	Long Term Borrowing (10% Debentures)	3	1,60,000	
3.	**Current Liabilities**			
	(a) Trade Payables	4	60,000	
	(b) Other Current Liabilities	5	48,000	
	(c) Short Term Provisions	6	12,000	
	TOTAL		**9,70,000**	
II	**ASSETS**			
1.	**Non-Current Assets**			
	Fixed Assets		7,30,000	
2.	**Current Assets**			
	(a) Inventories		50,000	
	(b) Trade Receivables		20,000	
	(c) Cash and Bank Balances		1,70,000	
	TOTAL		**9,70,000**	

Notes to Accounts:

Particulars	31.03.2017 ₹	31.03.2016 ₹
1. Share Capital		
Authorized Capital		
.... Equity Shares @ ₹ 100		....
Issued Capital	(—)	
.... Equity Shares @ ₹ 100	(—)	....
Subscribed Capital		
Subscribed and fully paid up		
5000 Equity Shares @ ₹ 100		5,00,000
2. Reserves and Surplus	2,00,000	
Less Under writing commission	(10,000)	1,90,000
3. Long term borrowings		
5% Debentures		1,60,000
4. Trade Payable		
Creditors		40,000
Bills Payable		20,000

5.	Other Current Liabilities Current Maturity of Long Term Debts -5% Debentures Interest Accrued and Due on 5% Debentures		 40,000 8,000
6.	Short Term Provisions Proposed Dividend		 12,000

8. (A) **[8]**

Realisation Account

Particulars		Amount ₹	Particulars		Amount ₹
To Sundry Assets			By Provision for bad debts		5,000
S. Debtors	65,000		By Sundry Liabilities		
Goodwill	50,000		Creditors	50,000	
Furniture	1,00,000		Bank Loan	55,000	
Building	3,80,000	5,95.000	EPF	5,000	1,10,000
To Susan's Cap. (Real exp)		2,000	By Geeta's Capital (GW)		40,000
To Bank			By Rashi's Capital (Bldg)		3,00,000
Creditors	50,000		By Bank		
Bank Loan	60,000		Debtors	52,000	
BPF	5,000	1,15,000	Furniture	97,000	1,49,000
			By Susan's Capital A/c		54,000
			By Geeta's Capital		32,400
			By Rashi's Capital		21,600
		7,12,000			**7,12,000**

(B) **[4]**

Journal

Date	Particular	L.F.	Amount ₹	Amount ₹
	Amar's Capital A/c Dr		9,000	
	Harsh's Capital A/c Dr		6,000	
	To P/L Adjustment A/c			15,000
	(Being incorrect profits cancelled)			
	Interest on Capital A/c Dr		4,560	
	To Amar's Capital A/c			1,560
	To Harsh's Capital A/c			3,000
	(Being interest on capital not credited earlier rectified)			
	P/L Adjustment A/c Dr		4,560	
	To Interest on Capital			4,560
	(Being IOC transferred to P/L Adj. A/c)			
	P/L Adjustment A/c Dr		10,440	
	To Amar's Capital A/c			6,264
	To Harsh's Capital A/c			4,176
	(Being correct profits credited to partner's capital A/c)			

Working Notes :

Partners' Capital Accounts

Particulars	Amar	Harsh	Particulars	Amar	Harsh
To Drawings	2.000	1,000	By Balance b/d	13,000	25,000
To Bal. c/d	20,000	30,000	By Profit	9,000	6,000
	22,000	**31,000**		**22,000**	**31,000**

SECTION - B

(20 Marks)

9. (A) **[8]**

Working Note 1.

Accumulated Depreciation A/c

Particulars	Amount	Particulars	Amount
To P/M	20,000	By Bal b/d	1,00,000
To Bal c/d	1,60,000	By Depreciation	80,000
	1,80,000		**1,80,000**

Working Note 2.

Provision for Taxation A/c

Particulars	Amount	Particulars	Amount
To Cash	20,000	By Bal b/d	30,000
To Bal c/d	60,000	By Statement of P/L	50,000
	80,000		**80,000**

Working Note 3.

Plant and Machinery A/c

Particulars	Amount	Particulars	Amount
To Bal b/d	10,00,000	By Acc. Depreciation	20,000
To Cash A/c	8,10,000	By Cash	18,000
		By Loss on sale	12,000
		By Bal c/d	17,60,000
	18,10,000		**18,10,000**

Working Note 4.

Particulars	₹
Net Profit for the year	1,00,000
Add provision for Tax	50,000
Net Profit before Tax	1,50,000

Cash Flow Statement of Honesty Ltd.
for the year ending 31.03.2017

	Particular	₹	₹	₹
I	**Cash Flows from operating activities**			
	Net Profit before Tax		1,50,000	
	Add non-operating/non-cash expenses			
	Goodwill written off		60,000	
	Depreciation P/M		80,000	
	Loss on sale of P/M		12,000	
	Interest on Debentures		50,000	
	Net Operating Profit before working capital charges		3,52,000	
	Add Trade Payables	40,000		
	Less Inventory	(50,000)		
	Less Trade Receivable	(2,00,000)	(2,10,000)	
	Cash Flow from operating activities before tax paid		1,42,000	
	Less Tax Paid		(20,000)	
	Cash Flow from operating activities			**1,22,000**
II	Cash Flows from Investing Activities			
	Sale of P/M		18,000	
	Purchase of P/M		(8,10,000)	
	Cash used in Inv. Activities			**(7,92,000)**
III	Cash Flows from Financing Activities			
	Issue of Share Capital		4,00,000	
	Issue of Debentures		3,60,000	
	Interest on Deb. paid		(50,000)	
	Bank overdraft repaid		(10,000)	
	Cash Flow from Financing Activities			**7,00,000**
	Net increase in Cash as per I, II and III			30,000
	Add Op Cash & Cash Equivalent			
	Cash at Bank			60,000
	Closing Cash and Cash Equivalent		90,000	
			90,000	**90,000**

B. **(i)** No Flow **[1]**

(ii) No Flow **[1]**

10. **(A) Horizontal analysis and Vertical analysis of financial statements :** **[2]**

	Horizontal analysis	Vertical analysis
1.	It is concluded for two or more accounting periods.	It is conducted for one accounting period.
2.	Same items for different accounting periods are analysed.	Different items for the same period are analysed.
3.	It provides information in absolute and percentage form.	It provides information in percentage form.
4.	This analysis can be done by preparing Comparative Balance Sheet/Statement of P/L	This analysis can be done by preparing Common Size Balance Sheet/Statement of P/L

B. **(i)** No Change **[1]**

(ii) Decline **[1]**

C. **Common size Statement of Profit and Loss of Prudence Ltd** **[6]**

For the year ending 31st March, 2017 **[½ marks]**

Particulars	Absolute Amount (₹)	% to Revenue from Operations
Revenue from Operations	20,00,000	**100**
Other Income (Dividend received)	40,000	2
Total Revenue	20,40,000	102
Expenses		
Purchases	15,00,000	75
Changes in inventories	1,00,000	5
Depreciation and Amortization expenses	60,000	3
Total Expenses	16,60,000	83
Profit before Tax	3,80,000	19
Less Tax	(1,52,000)	7.6
Profit after Tax	2,28,000	11.4

11. **(A)** Net Profit Ratio $= \dfrac{\text{Net profit}}{\text{Revenue from operations}} \times 100$

$$= \frac{80000 + 2000 - 30000 - 5000}{400000} \times 100$$

$$= \frac{47,000}{4,00,000} \times 100 = 11.75\%$$ **[2]**

(B) Earning per share $= \dfrac{\text{Net Profit after Tax and Preference Dividend}}{\text{Number of Equity Shares}}$

$$= \frac{2,40,000 - 15,000}{50,000}$$

$$= \frac{2,25,000}{50,000} = ₹\ 4.5$$

Price Earning Ratio $= \dfrac{\text{Market value of an Equity Share}}{\text{Earning per Share}}$

$$= \frac{40}{4.5} = 8.89 \text{ times}$$

Return on Investments $= \dfrac{\text{Net profit before Interest and Tax}}{\text{Capital Employed}} \times 100$

$$= \frac{2,40,000 + 1,60,000 + 40,000}{11,00,000} \times 100$$

$$= \frac{4,40,000}{11,00,000} \times 100 = 40\%$$

Working Capital Turnover Ratio $= \dfrac{\text{Revenue from Operations}}{\text{Working Capital}}$

$$= \frac{10,00,000}{1,00,000} = 10 \text{ times}$$ **[8]**

SECTION - C (20 Marks)

12. **(a)** $= B_2*B_{10}$ [2]

(b) $= C_2*C_{11}$ [2]

(c) $=$ Sum $(B_7 : E_7)$ or $= B_7 + C_7 + D_7 + E_7$ [2]

(d) $= (E_2*E_{10}) - (E_2*E_{11})$ or $= E_2*(E_{10} - E_{11})$ or $= (E_3 - E_4)$ [2]

(e) $= F_6 - (B_6 + C_6 + E_6)$ or $= F_6 - B_6 - C_6 - E_6$ or $F_6 -$ (SUM $(B_6 : C_6) + E_6)$ [2]

13. **(a)** The column letter and the row number with which a cell is identified is know as its cell address. [2]

(b) To remove data from a spreadsheet, any one method can be followed: [2]

(i) Double click on the cell and use backspace or delete key

(ii) Right click on the cell and select clear contents option from the drop down menu.

(c) SQL stands for Structured Query Language [2]

(d) (i) Forms are used to facilitate the process of entering data in tables and queries [1]

(ii) Reports are used to display the selected data in a printable format. [1]

(e) A Legend helps to **differentiate** the data by making use of colours, patterns or symbols. [2]

14. **(a)** Importing of a data base means the process of transferring objects from an external database to the existing one.

Exporting of a database means the process of transferring objects from an existing database to an external one. [2]

(b) The main advantage of an Action Query is to change or **modify** data in existing tables by **Adding** or **deleting** or **updating** data. [2]

(c) *Any two* values of an indexed property : [2]

(i) No (ii) Yes (Duplicates OK) (iii) Yes (No Duplicates)

(d) Steps to filter a table :

(i) Click on the dropdown arrow of the column whose data needs to be filtered. **[½ mark]**

(ii) Deselect all selected boxes from the Dropdown list by clicking the select all checkbox. **[½ mark]**

(iii) Select the items to be included in the datasheet. **[1 mark]**

(e) Freezing panes is a command in excel 2007 that enables to freeze portions of a worksheet, typically column and row headings, so that one can view distant parts of the worksheet while the headings remain at place. Freezing panes only affects the current worksheet. [2]

■■