Code No.: 055

PRE-BOARD EXAMINATION – (JANUARY – 2019)

CLASS: XII **ACCOUNTANCY** **Time: 3 hrs.**

MAX. MARKS: 80

General Instructions:

a) This question paper consists of two ***parts A and B***. This question paper has ***10 Printed Pages***.
b) All parts of questions should be ***attempted at one place***.
c) There are ***23 questions*** in this paper.
d) Internal choice questions have to be answered any one of the choices provided.

Part – A

(Accounting for Partnership Firm, Not-for-profit organisation and Companies)

1. Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ` 2 crores. After a year, they sold it for ` 3 crores and shared the profits equally. Are they doing the business in partnership? Give reason in support of your answer. 1

2. Why is it necessary to revalue assets and liabilities of a firm in case of admission of a partner? 1

Or

State any two reasons for the preparation of 'Revaluation Account' at time of admission of a partner.

3. State the basis of accounting on which 'Receipt and Payment Account' is prepared in case of Not-for Profit Organisation. 1

Or

What will be the treatment of 'Subscription received in advance' during the current year in the Balance Sheet of a Not-For-Profit Organisation?

4. Ram, Mohan and Sohan were partners in a firm sharing profits in the ratio of 5:3:2. They admitted Hari as a new partner for $1/5^{th}$ share in the profit which he acquired from Ram and Mohan in the ratio of 3:2. Calculate, the new profit sharing ratio of Ram, Mohan, Sohan and Hari. 1

5. Differentiate between 'Equity Share' and 'Debenture' on the basis of risk involved. 1

Or

What is meant by 'Employee Stock Option Plan'?

6. Jayant, Kartik and Leena were partners in a firm sharing profits and losses in the ratio of 5:2:3. Kartik died and Jayant and Leena decided to continue the business. Their gaining ratio was 2:3. Calculate the new profit sharing ratio of Jayant and Leena. 1

7. On April l, 2018, a firm had assets of ₹ 1,00,000 excluding stock of ₹ 20,000. The current liabilities were ₹ 10,000 and the balance constituted Partners' Capital Accounts. If the normal rate of return is 8%, the Goodwill of the firm is valued at ₹ 60,000 at four years purchase of super profit, find the actual profits of the firm. 3

8. Calculate the amount of sports material to be transferred to Income and Expenditure account of Ishita Sports Club, Ludhiana, for the year ended 31st March, 2018:- 3

	Particulars	**₹**
1.	Sports Material sold during the year (Book Value ₹ 50,000)	56,000
2.	Amount paid to creditors for sports material	91,000
3.	Cash purchase of sports material	40,000
4.	Sports material as on 31.3.17	50,000
5.	Sports Material as on 31.3.18	55,000
6.	Creditors for sports material as on 31.3.17	37,000
7.	Creditors for sports material as on 31.3.18	45,000

9. R Ltd. purchased the assets of S Ltd. for ` 5,00,000. It also agreed to take over the liabilities of S Ltd. amounted to ` 2,00,000 for a purchase consideration of ` 2,80,000. The payment of S Ltd. was made by issue of 9% debentures of `100 each at par. Pass necessary Journal entries in the books of R Ltd. 3

Or

X Ltd. took a loan of ` 3,00,000 from IDBI Bank. The company issued 4,000; 9% debentures of ` 100 each as a collateral security for the same. Pass necessary journal entries for the above transactions:

- **I.** When company decided not to record the issue of 9 % Debentures as collateral security.
- **II.** When company decided to record the issue of 9 % Debentures as collateral security.

10. IFCI Ltd. (All India Financial Institution) issued 10,00,000; 9 % debentures of ` 50 each on 1st April, 2011 redeemable on 1st April, 2017. How much amount of debenture redemption reserve is required before the redemption of debentures? Also, pass Journal entries for issue and redemption of debentures. 3

11. Ajay, Aman and Anand were partners in a firm sharing profits in the ratio of 5:1:4. Their Balance Sheet as on 31-3-2015 was as follows : 4

Balance Sheet of Ajay, Aman and Anand as on 31-3-2015

Liabilities		`	**Assets**	`
Creditors		1,47,000	Land	5,40,000
Bills Payable		33,000	Building	2,70,000
General Reserve		2,10,000	Plant	1,90,000
Capitals :			Stock	75,000
Ajay	5,00,000		Debtors	60,000
Aman	1,00,000		Bank	15,000
Anand	1,60,000	7,60,000		
		11,50,000		**11,50,000**

From 1-4-2015 Ajay, Aman and Anand decided to share future profits equally. For this it was agreed that :

(i) Goodwill of the firm be valued at ` 1,80,000.

(ii) Land be revalued at ` 6,00,000 and building be depreciated by 10%.

(iii) Creditors of ` 15,000 were not likely to be claimed and hence be written-off.

Prepare Revaluation Account and Partners' Capital Accounts.

12. Banwari, Girdhari and Murari are partners in a firm sharing profits and losses in the ratio of 4:5:6. On 31st March, 2014, Girdhari retired. On that date the capitals of Banwari, Girdhari and Murari before the necessary adjustments stood at ` 2,00,000, ` 1,00,000 and ` 50,000 respectively. On Girdhari's retirement, goodwill of the firm was valued at ` 1,14,000. Revaluation of assets and re-assessment of liabilities resulted in a profit of ` 6,000. General Reserve stood in the books of the firm at `30,000. 4

The amount payable to Girdhari was transferred to his loan account. Banwari and Murari agreed to pay Girdhari two yearly instalments of ` 75,000 each including interest @ 10% p.a. on the outstanding balance during the first two years and the balance including interest in the third year. The firm closes its books on 31st March every year.

Prepare Girdhari's loan account till it is finally paid showing the working notes clearly.

13. Moli, Bhola and Raj were partners in a firm sharing profits and losses in the ratio of 3 : 3 : 4. Their partnership deed provided for the following : 6

(i) Interest on capital @ 5% p.a.

(ii) Interest on drawing @ 12% p.a.

(iii) Interest on partners' loan @ 6% p.a.

(iv) Moli was allowed an annual salary of ` 4,000; Bhola was allowed a commission of 10% of net profit as shown by Profit and Loss Account and Raj was guaranteed a profit of ` 1,50,000 after making all the adjustments as provided in the partnership agreement.

Their fixed capitals were Moli : ` 5,00,000; Bhola : ` 8,00,000 and Raj : ` 4,00,000. On 1st April, 2016 Bhola extended a loan of ` 1,00,000 to the firm. The net profit of the firm for the year ended 31st March, 2017 before interest on Bhola's loan was ` 3,06,000.

Prepare Profit and Loss Appropriation Account of Moli, Bhola and Raj for the year ended 31st March, 2017 and their Current Accounts assuming that Bhola withdrew ` 5,000 at the end of each month, Moli withdrew ` 10,000 at the end of each quarter and Raj withdrew ` 40,000 at the end of each half year.

Or

Kavita and Pradeep are partners, sharing profits in the ratio of 3 : 2. They employed Chandan as their manager, to whom they paid a salary of ` 750 p.m. Chandan deposited ` 20,000 on which interest is payable @ 9% p.a. At the end of 2017 (after the division of profit), it was decided that Chandan should be treated as partner w.e.f. Jan. 1, 2014 with 1/6th share in profits. His deposit being considered as capital carrying interest @ 6% p.a. like capital of other partners. Firm's profits after allowing interest on capital were as follows:

2014	Profit	` 59,000
2015	Profit	` 62,000
2016	Loss	` (4,000)
2017	Profit	` 78,000

Record the necessary journal entries to give effect to the above.

14. The following is the account of cash transactions of the Nari Kalayan Samittee for the year ended December 31, 2017: 6

Receipts	`	**Payments**	`
Balance from last year	2,270	Rent	6,600
Subscriptions	32,500	Electric charges	3,200
Life membership fee	3,250	Lecturer's fee	730
Donation	2,500	Office expenses	1,480
Profit from entertainment	7,250	Printing and Stationery	1,050
Sale of old Books	750	Legal fee	1,870
(books value Rs.1,000)		Books	6,500
Interest	350	Furniture purchased	8,600
		Expenses on nukar drama	1,300
		Cash in hand	8,040
		Cash at bank	9,500
	48,870		**48,870**

You are required to prepare an Income and Expenditure Account after the following adjustments:

a) Subscription still to be received are ` 750, but subscription include ` 500 for the year 2018.
b) In the beginning of the year the Sangh owned building ` 20,000 and furniture ` 3,000 and Books ` 2,000.
c) Provide depreciation on furniture @5% (including purchase), books @ 10% and building @ 5%.

15. K and P were partners in a firm sharing profits in the ratio of 7:5. On 31-1-2016 their firm was 6

dissolved. After transferring assets (other than cash) and outsiders liabilities to the realization account, you are given the following information :

(i) Raman, a creditor for ` 4,20,000 accepted building valued at ` 8,00,000 and paid the balance to the firm by a cheque.

(ii) Rajeev, a second creditor for ` 1,70,000 accepted machinery valued at ` 1,65,000 in full settlement of his claim.

(iii) Ranjan, a third creditor for ` 90,000 accepted investments of ` 45,000 and a bank draft of `43,000 in his favour in full settlement of his claim.

(iv) P was appointed to do the work of dissolution for which he was allowed ` 2,000. Actual expenses of dissolution ` 2,400 were paid by P.

Pass necessary journal entries for the above transactions in the books of K and P.

16. A Ltd. invited applications for issuing 1,00,000 shares of ` 10 each at a premium of ` 1 per share. The amount was payable as follows : 8

On Application :	` 3 per share
On Allotment :	` 3 per share (including premium)
On First Call :	` 3 per share
On Second and Final Call :	Balance amount

Applications for 1,60,000 shares were received. Allotment was made on the following basis :

(i) To applicants for 90,000 shares : 40,000 shares

(ii) To applicants for 50,000 shares : 40,000 shares

(iii) To applicants for 20,000 shares : full shares

Excess money paid on application is to be adjusted against the amount due on allotment and calls.

Rishabh, a shareholder, who applied for 1,500 shares and belonged to category (ii), did not pay allotment, first and second and final call money.

Another shareholder, Sudha, who applied for 1,800 shares and belonged to category (i), did not pay the first and second and final call money.

All the shares of Rishabh and Sudha were forfeited and were subsequently re-issued at ` 7 per share fully paid.

Pass the necessary journal entries in the books of A Ltd. Open Calls-in-Arrears Account and Calls-in-Advance Account wherever required.

Or

Joy Ltd. invited applications for issuing 20,000 equity shares of ` 10 each at par. The amount was payable as follows :

On Application - ` 3 per share

On Allotment - ` 4 per share

On First and find call – Balance amount

The issue was oversubscribed by three times. Applications for 20% shares were rejected and the money was refunded. Allotment was made to the remaining applicants as follows:

Category	*No. of Shares Applied*	*No. of Shares Allotted*
I	30,000	15,000
II	18,000	5,000

Excess money received with applications was adjusted towards sums due on allotment. Money in excess to sums due on allotment was adjusted towards sums due on first and final call and any money in excess to sums due on first and final call was refunded. Kavi, a shareholder who had applied for 600 shares, failed to pay the remaining allotment money and his shares were immediately forfeited. Kavi belonged to Category I. Afterwards the first and final call was made. Gupta, who had applied for 400 shares, failed to pay the first and final call. Gupta also belonged to Category I.

Shares of Gupta were also forfeited after the first and final call. The forfeited shares were reissued at `12 per share fully paid up.

Pass necessary journal entries for the above transactions in the books of Joy Ltd.

17. Divya, Yasmin and Fatima are partners in a firm, sharing profits and losses in 11:7:2 respectively. 8

The balance sheet of the firm as on 31st March 2018 was as follows:

Balance Sheet As at 31.3.2018

Liabilities		`	**Assets**		`
Sundry Creditors		70,000	Factory Building		7,35,000
Public Deposits		1,19,000	Plant and Machinery		1,80,000
Reserve fund		90,000	Furniture		2,60,000
Outstanding Expenses		10,000	Stock		1,45,000
Capital accounts:			Debtors	1,50,000	
Divya	5,10,000		Less: Provision	(30000)	1,20,000
Yasmin	3,00,000		Cash at bank		1,59,000
Fatima	5,00,000	13,10,000			
		15,99,000			**15,99,000**

On 1.4.2018, Aditya is admitted as a partner for one-fifth share in the profits with a capital of ₹4,50,000 and necessary amount for his share of goodwill on the following terms:

(i) Furniture of ₹ 2,40,000 were to be taken over Divya, Yasmin and Fatima equally.

(ii) A creditor of ₹ 7,000 is not recorded in books to be taken into account.

(iii) Goodwill of the firm is to be valued at 2.5 years purchase of average profits of last two years. The profit of the last three years were: 2015-16 ₹ 6,00,000; 2016-17 ₹ 2,00,000; 2017-18 ₹ 6,00,000

(iv) At time of Aditya's admission Yasmin also brought in 50,000 as fresh capital

(v) Plant and Machinery is re-valued to ₹ 2,00,000 and expenses outstanding were brought down to ₹ 9,000.

Prepare Revaluation Account, Partners Capital Account and the balance sheet of the reconstituted firm.

Or

Nithin, Subhash and Gowri were partners in a firm sharing profits and losses in the ratio of 2:3:5. On 31.3.2016 their Balance Sheet was as under :

Balance Sheet as on 31.3.2016

Liabilities		**Amount ₹**	**Assets**		**Amount ₹**
Creditors		1,65,000	Cash		1,20,000
General Reserve		90,000	Debtors	1,35,000	
Capitals :			Less : Provision	(15,000)	1,20,000
Nithin	2,25,000		Stock		1,50,000
Subhash	3,75,000		Machinery		4,50,000
Gowri	4,50,000	10,50,000	Patents		90,000
			Building		3,00,000
			Profit and Loss Account		75,000
		13,05,000			**13,05,000**

Gowri retired on the above date and it was agreed that

(i) Debtors of ₹ 6,000 will be written off as bad debts and a provision of 5% on debtors for bad and doubtful debts will be maintained.

(ii) Patents will be completely written off and stock, machinery and building will be depreciated by 5%.

(iii) An unrecorded creditor of ₹ 30,000 will be taken into account.

(iv) Nithin and Subhash will share the future profits in 2 : 3 ratio.

(v) Goodwill of the firm on Gowri's retirement was valued at ₹ 90,000.

Pass necessary journal entries for the above transactions in the books of the firm on Gowri's retirement.

Part B: Analysis of Financial Statements

18. 'Interest received and paid' is considered as which type of activity by a finance company while preparing a Cash Flow Statement? 1

19. J.K. Ltd. purchased machinery on deferred payment basis. During the year ended 31.3.2016 the company paid an instalment of ₹ 4,00,000 which included interest of ₹ 40,000. While preparing cash flow statement, under which type of activities will this payment be classified? 1
Also, mention the amount involved in each activity.

20. Under which major heads and subheads will the following items be placed in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013. 4

(i) Bank overdraft.

(ii) Cash and Cash equivalents.

(iii) Securities premium.

(iv) Negative balance of the Statement of Profit and Loss.

(v) Goodwill.

(vi) Trademark.

(vii) 5 years loan obtained from SBI.

(viii) Investments.

21. Following is the statement of Profit and Loss of DD Ltd. for the year ended on 31-3-2015. 4

Particulars	**Note No.**	**31-3-2015 (₹)**	**31-3-2014 (₹)**
Revenue from operations		75,00,000	34,00,000
Other Income		1,50,000	3,00,000
Employee benefit Expenses – 60% of total revenue		–	–
Other expenses – 10% of employee benefit expenses		–	–
Tax Rate		40%	50%

You are required to prepare a comparative statement of Profit and Loss of DD Ltd. from the given statement of Profit and Loss

Or

From the following Balance Sheet of R Ltd., Prepare a Common Size Statement Balance Sheet As at 31st March, 2018.

Particulars	**Note no.**	**31.3.2018 (₹)**	**31.3.2017 (₹)**
I EQUITY AND LIABILITIES:			
1. Shareholder's Funds:			
a. Share Capital		2,50,000	2,00,000
b. Reserve and Surplus		80,000	60,000
2. Current Liabilities:			
a. Trade Payable		70,000	40,000
Total		**4,00,000**	**3,00,000**
II ASSETS			
1. Non-Current Assets:			
a. Fixed Assets:			
i. Tangible Assets		1,60,000	1,20,000
ii. Intangible Assets		20,000	30,000
2. Current Assets			
a. Inventories		80,000	30,000
b. Trade Receivables		1,20,000	1,00,000
c. Cash and Cash Equivalents		20,000	20,000
Total		**4,00,000**	**3,00,000**

22. Calculate amount of Opening Trade Receivables and Closing Trade Receivables from the following figures: 4

Trade Receivable Turnover ratio 5 times
Cost of Revenue from Operations ₹ 8,00,000
Gross Profit ratio 20%
Closing Trade Receivables were ₹ 40,000 more than in the beginning
Cash sales being ¼ times of Credit sales

Or

State with reason whether the following transactions will increase, decrease or not change the 'Return on Investment' :

(i) Purchase of machinery worth ₹ 2,00,000 by issue of equity shares.
(ii) Charging depreciation of ₹ 5,000 on machinery.
(iii) Redemption of debentures in cash ₹ 70,000.
(iv) Converting ₹ 50,000, 9% debentures into equity shares.

23. Following is the Balance Sheet of John Maina. Ltd as at 31.3.2017 : 6

John Maina. Ltd. Balance Sheet as at 31.3.2017

Particulars	**Note No.**	**31.3.2017** `	**31.3.2016** `
Equity & Liabilities			
1. Shareholder's Funds :			
(a) Share Capital	1	2,25,000	1,75,000
(b) Reserves and Surplus		62,500	25,000
Non-Current Liabilities :			
Long-Term Borrowings	2	1,12,500	87,500
Current Liabilities :			
(a) Short-term Borrowings	3	37,500	18,750
(b) Short-Term Provisions	4	50,000	31,250
Total		**4,87,500**	**3,37,500**
Assets :			
Non-Current Assets :			
(a) Fixed Assets :			
(i) Tangible	5	3,66,250	2,28,750
(ii) Intangible	6	25,000	37,500
(b) Non-Current Investments		37,500	25,000
Current Assets :			
(a) Current Investments		10,000	17,500
(b) Inventories	7	30,500	18,000
(c) Cash and Cash Equivalents		18,250	10,750
Total		**4,87,500**	**3,37,500**

Notes to Accounts

Note No.	Particulars	31.3.2017 `	31.3.2016 `
1.	**Reserves and Surplus** (Surplus i.e., Balance in the Statement of Profit and Loss)	62,500	25,000
		62,500	**25,000**
2.	**Long-term Borrowings** 12% Debentures	1,12,500	87,500
		1,12,500	**87,500**
3.	**Short-term Borrowings** Bank Overdraft	37,500	18,750
		37,500	**18,750**
4.	**Short-term Provisions** Proposed Dividend	50,000	31,250
		50,000	**31,250**
5.	**Tangible Assets** Machinery Accumulated Depreciation	4,18,750 (52,500)	2,63,750 (35,000)
		3,66,250	**2,28,750**
6.	**Intangible Assets** Goodwill	25,000	37,500
		25,000	**37,500**
7.	**Inventories** Stock in Trade	30,500	18,000
		30,500	**18,000**

Additional Information :

(i) ` 25,000, 12% debentures were issued on 31.3.2017.

(ii) During the year a piece of machinery costing ` 20,000, on which accumulated depreciation was ` 10,000, was sold at a loss of ` 2,500.

Prepare Cash Flow Statement.

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