

# ACCOUNTS

(Maximum Marks: 80)

(Time allowed: Three hours)

(Candidates are allowed additional 15 minutes for **only** reading the paper.

They must **NOT** start writing during this time.)

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**Part I of Section A** is Compulsory.

Answer **any 4** Questions from **Part II of Section A** and **any two** questions from **either Section B or Section C**.

The intended marks for questions or parts of questions are given in the brackets [ ].

Transactions should be recorded in the answer book.

All calculations 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.

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## SECTION A

### PART I (12 Marks)

Answer **all** questions.

#### Question 1

[6 × 2]

Answer briefly each of the following questions:

- (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 *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.*

**Question 2**

[12]

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:

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.**

**Question 3**

- (A) On 1<sup>st</sup> April, 2013, Rayon Ltd. issued 2,000, 9% Debentures of ₹ 100 each at a discount of 10%, redeemable at par on 31<sup>st</sup> 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 31<sup>st</sup> March, 2014, and the balance on 31<sup>st</sup> March, 2015. On 1<sup>st</sup> April, 2016, the company made the required investment in government securities. [8]

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).**

- (B) On 1<sup>st</sup> April, 2016, Krayon Ltd. issued 8,000, 12% Debentures of ₹ 100 each, redeemable at par after 5 years. The issue was fully subscribed. [4]  
According to the terms of issue, interest on debentures is payable annually on 31<sup>st</sup> 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.**

**Question 4**

- (A) Asif and Ravi are partners in a firm, sharing profits and losses in the ratio of 3:2. [8]  
Their fixed capitals as on 1<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March, 2017.**

- (B) Rita, Nina and Mita are partners in a firm sharing profits and losses in the ratio [4]  
of 3:2:1. Mita dies on 1<sup>st</sup> 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

**You are required to:**

- (i) Calculate the firm's goodwill on the date of Mita's death (Show the working with the formula).
- (ii) Pass the necessary journal entry to credit Mita's Capital Account with her share of goodwill.

**Question 5****[12]**

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

**Balance Sheet of Annie and Bonnie  
As at 31<sup>st</sup> 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		<i>Less</i> Provision for Doubtful Debts	(1,000)
Annie	45,000	Stock	10,000
Bonnie	40,000	Plant & Machinery	60,000
	85,000	Goodwill	10,000
	<b>1,21,000</b>		<b>1,21,000</b>

Carl was to be taken as a partner for  $\frac{1}{4}$  share in the profits of the firm, with effect from 1<sup>st</sup> 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 in cash, his share of goodwill.
- (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.**

### Question 6

- (A) Harish, Paresh and Mahesh were three partners sharing profits and losses in the ratio of 5:4:1. [8]

Paresh retired on 31<sup>st</sup> March, 2017. His capital as on 1<sup>st</sup> 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 in the year of retirement.
- (iv) His share of goodwill of 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 31<sup>st</sup> March, 2018.

**You are required to prepare:**

- (i) **Paresh's Capital Account.**
- (ii) **Paresh's Loan Account till it is finally closed.**

- (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. [4]

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.**

**Question 7****[12]**

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

**Trial Balance as at 31<sup>st</sup> March, 2017**

Particulars	Debit (₹)	Credit (₹)
Equity Share Capital (5,000 shares of ₹ 100 each fully paid)		5,00,000
Fixed Assets	7,30,000	
Reserves 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 ( $\frac{1}{5}$ of the Debentures to be redeemed on 31 <sup>st</sup> 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 31<sup>st</sup> March, 2017:**

- (i) The Balance Sheet of Vanity Ltd. as per Schedule III of the Companies Act, 2013.**
- (ii) Notes to Accounts.**

**Question 8**

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

**Balance Sheet of Susan, Geeta and Rashi**  
**As at 31<sup>st</sup> 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	<i>Less</i> Provision for Doubtful Debts	(5,000)
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		
	<b>5,25,000</b>		
	<b>6,60,000</b>		<b>6,60,000</b>

The partners decided to dissolve their partnership on 31<sup>st</sup> 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.**

- (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 31<sup>st</sup> 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. [4]

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.**

**SECTION B (20 Marks)***Answer any two questions***Question 9**

- (A) You are required to prepare a Cash-Flow Statement (as per AS-3) for the year 2016-17 from the following Balance Sheets. [8]

**Balance Sheets of Honesty Ltd.  
As at 31<sup>st</sup> March, 2016 and 31<sup>st</sup> March, 2017**

	Particulars	Note No.	31.03.2017 ₹	31.03.2016 ₹
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
	<b>1. Shareholders' Funds</b>			
	(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
	<b>2. Non-Current Liabilities</b>			
	Long Term Borrowing (10% Debentures)		5,00,000	1,40,000
	<b>3. Current Liabilities</b>			
	(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
	<b>TOTAL</b>		<b>25,80,000</b>	<b>16,60,000</b>
<b>II</b>	<b>ASSETS</b>			
	<b>1. Non-Current Assets</b>			
	Fixed Assets			
	(i) Tangible	2.	16,00,000	9,00,000
	(ii) Intangible (Goodwill)		1,40,000	2,00,000
	<b>2. Current Assets</b>			
	(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
	<b>TOTAL</b>		<b>25,80,000</b>	<b>16,60,000</b>



**Notes to Accounts:**

Particulars	31.03.2017 ₹	31.03.2016 ₹
<b>1. Short term provisions</b>		
Provision for taxation	60,000	30,000
<b>2. Fixed Assets (Tangible)</b>		
Plant and Machinery	17,60,000	10,00,000
<i>Less</i> 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.

(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.

**Question 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: [2]

- (i) Cash collected from Debtors ₹ 50,000.
- (ii) Creditors of ₹ 20,000 paid off.

(C) **From the following information, prepare a Common Size Statement of Profit and Loss of Prudence Ltd. for the year ending 31<sup>st</sup> March, 2017:** [6]

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%	

**Question 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.

**Question 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	Gross 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 **B3**. [2]
- (b) Cost of Goods Sold for Quarter 2 in cell **C4**. [2]
- (c) Total Advertisement Expenses incurred in cell **F7**. [2]
- (d) Gross Profit for Quarter 4 in cell **E5**. [2]
- (e) Electricity Expenses for Quarter 3 cell **D6**. [2]

**Question 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]

**Question 14**

- (a) What is the difference between importing and exporting of a database? [2]
- (b) State the main advantage 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*? [2]