

PART- A

1. What is meant by 'Over Subscription'? (1)
2. What is meant by 'Debentures issued as collateral security'? (1)
3. Apple and Mango are partners. Orange is admitted for 1/5th share. What is the ratio in which Apple and Mango will sacrifice their share in favour of Orange? (1)
4. State any two occasions on which a firm may be reconstituted. (1)
5. When is 'Partner's Executors' Loan Account prepared? (1)
6. What is the maximum amount of discount at which forfeited shares can be re-issued? (1)
7. Sunita, Babita and Shweta are partners in a firm having no partnership agreement. Sunita, Babita and Shweta contributed Rs. 4,00,000, Rs. 6,00,000 and Rs. 2,00,000 respectively. Sunita and Babita desire that the profits should be divided in the ratio of capital contribution. Shweta does not agree to this. Is Shweta correct? Give reason. (1)
8. A, B and C are partners in a firm. They had omitted interest on capital @ 10% p.a. for three years ended 31st March, 2012. Their fixed capitals on which interest was to be calculated throughout were:

A	Rs. 2,00,000
B	Rs. 90,000
C	Rs. 80,000

Give the necessary adjusting journal entry with working notes. (3)
9. On 1st April, 1991 a Limited Company issued 5,000, 13% debentures of Rs. 100 each at par repayable at 5% premium. Holders of these debentures have an option to convert their debentures into equity shares of Rs. 10 each at a premium of Rs. 2 per share, within three years.
 At the end of the third year, interest for one year had accrued and remained unpaid. On that date a debenture holder of 400 debentures notified his intention to convert his debentures into equity shares.
 Make necessary journal entries and show the relevant accounts in the Balance Sheet of the company as on 31st March, 1994. (3)
10. Agrotech Ltd. issued 1,60,00,000, 8% debentures of Rs. 100 each at a discount of 6%, redeemable at a premium of 5% after 6 years payable as: Rs. 50 on application and Rs. 44 on allotment. Record necessary journal entries for issue of debentures. (3)
11. After doing their Post graduation Sameer suggested to his class mate Mical to form a partnership to sell low cost school uniforms to the students belonging to low income group who have been admitted to the private schools of the city as per the provisions of Right to Education Act 2009. David agreed to the proposal and requested to admit his friend Preeti, a visually handicapped unemployed person also to be a member of the proposed firm. All of them agreed to form a partnership firm but they were not having enough capital to invest. Sameer therefore persuaded a rich friend of his, Faizan, who hailed from Assam to be a partner and contribute the required capital. All of them formed a partnership on the following terms:
 - i. Sameer will contribute Rs. 2,00,000; David Rs. 1,00,000, Faizan Rs. 20,00,000 and Preeti will be partner without Capital.
 - ii. Profits will be shared equally
 - iii. Interest on capital will be allowed @ 5% p.a.

The profits of the firm for the year ended 31st March 2012 were Rs. 1,50,000

(a) Identify any four values which according to you motivated them to form the partnership firm.

(b) Prepare Profit & Loss Appropriation Account of the firm to the year ending 31st March 2012. (2)

12. P, Q and R are partners in a firm sharing profits in the ratio of 2:2:1. R retires and the Balance Sheet of the firm on that date was as under:

BALANCE SHEET

As at.....

<i>Liabilities</i>	<i>Amount Rs.</i>	<i>Assets</i>	<i>Amount Rs.</i>
Creditors	30,000	Cash	8,000
General Reserve	60,000	Debtors	75,000
Profits & Loss Account	15,000	Stock	90,000
Workmen's Compensation Fund	10,000	Plant	1,40,000
Capital Accounts:		Patents	22,000
P 1,00,000			
Q 80,000			
R 40,000			
	<u>2,20,000</u>		
	<u>3,35,000</u>		<u>3,35,000</u>

It was agreed that stock is to be brought down to Rs. 82,000 and plant is reduced by Rs. 20,000. Patents were found valueless. There was no liability on account of workmen's compensation fund.

Record necessary entries at the time of retirement. (4)

13. Rajput limited purchased a running business from Singh Traders for a sum of Rs. 15,00,000 payable Rs. 3,00,000 by cheque and for the balance issued equity shares of Rs. 100 each at a premium of 20%.

The assets and liabilities consisted of the following:

	Rs.
Building	4,00,000
Machinery	6,00,000
Debtor	5,00,000
Stock	3,00,000
Creditors	2,00,000

Record necessary Journal entries in the books of Rajput limited. (4)

14. Janta Ltd. had an authorized capital Rs. 2,00,000 divided into equity shares of Rs. 10 each. The company offered for subscription Rs. 1,00,000 shares. The issue was fully subscribed. The amount payable on application was Rs. 2 per share. Rs. 4 per share were payable each on allotment and first and final call. A share holder holding 100 shares failed to pay the allotment money. His shares were forfeited. The company did not make the final call. Show how the 'share capital' will be shown in the company's balance sheet.

Also prepare Notes to Accounts for the same. (4)

15. A, B and C are in partnership. A and B sharing profits in the ratio of 3:1 and C receiving an annual salary of Rs. 32,000 plus 5% of the profits after charging his salary and commission, or 1/4th of the profit of the firm whichever is larger. Any excess of the latter over the former received by C is, under the partnership deed, to be borne by A and B in the ratio of 3:2. The profit for the year 1996 came to Rs. 1,68,000 after charging C's salary. (6)
Show the distribution of profits among the partners.

16. A and B are partners sharing profits in the ratio A 5/10, B 3/10 and transfer to reserve 2/10. Their balance sheet on 31st March, 1994 was as follows:

	Rs.		Rs.
Sundry Creditors	16,000	Cash at Bank	2,800
General Reserve	9,600	Sundry Debtors	20,000
Capitals:		Joint Life Policy	
A	80,000	(assured amount Rs. 40,000)	8,000
B	40,200	Fixed Assets	1,00,000
	1,20,200	Goodwill	15,000
	1,45,800		1,45,800

B died on 1st April, 1994. Besides his capital and reserves, B's legal representatives are entitled to:

- I. His share of goodwill, based on the total profits of the last three years, which were Rs. 10,300; Rs. 15,100 and Rs. 13,600.
- II. His share of insurance policy.

Assets were revalued as follows:

Fixed Assets Rs. 1,20,000; Rs. 2,000 out of debtors are bad and a provision of 5% is to be made for bad debts and 2% for discount on debtors. Prepaid insurance is Rs. 490 and outstanding salaries Rs. 3,000. There is an old typewriter not recorded in the books valued at Rs. 4,000.

Prepare Joint Life Policy A/c; Revaluation A/c and B's A/c to be rendered to his legal representatives. (6)

17. Santanu Limited issued Rs. 10,00,000 new capital dividend into Rs. 100 shares at a premium of Rs. 20 per share, payable as under:

- | | |
|-------------------------|--|
| On Application | Rs. 10 per share |
| On Allotment | Rs. 40 per share (including Premium of Rs. 10 per share) |
| On First and Final Call | Balance |

Over payments on applications were to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full.

The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letter of regret. Shares were allotted in full to the remaining applicants.

All the money due was duly received.

(a) Which value has been affected by rejecting the applications of the applicants who had applied for 3,000 shares? Suggest a better alternative for the same.

(b) Give Journal Entries to record the above transactions (including cash transactions) in the books of the company.

(8)

18. The balance Sheet of A and B as on 31st March, 1995 is given below:

Liabilities	Rs.	Assets	Rs.
A's Capital	60,000	Freehold Property	20,000
B's Capital	30,000	Furniture	6,000
General Reserve	24,000	Stock	12,000
Creditors	16,000	Debtors	80,000
		Cash	12,000
	1,30,000		1,30,000

A and B share profits and losses in the ratio of 2:1. They agree to admit P into the firm subject to the following terms and conditions:

- (a) P will bring in Rs. 21,000 of which Rs. 9,000 will be treated as his share of Goodwill to be retained in the business.
- (b) P will be entitled to 1/4th share of profits of the firm.
- (c) 50% of the General Reserve is to remain as a provision for bad and doubtful debts.
- (d) Furniture is to be depreciated by 5%.
- (e) Stock is to be revalued at Rs. 10,500.

Prepare Revaluation Account, Capital Accounts and Opening Balance Sheet of the new firm. (8)

OR

The following is the Balance Sheet of A and B as on 31st December, 1996:

Liabilities	RS.	Assets	Rs.
Mrs. A's Loan	15,000	Cash	4,200
Mrs. B's Loan	10,000	Bank	3,400
Trade Creditors	30,000	Debtors	30,000
Bills Payable	10,000	Less : Provision	2,000
Outstanding Expenses	5,000	Investments	10,000
A : Capital	90,000	Stock	40,000
Drawings (Current A/c)	10,000	Truck	75,000
B : Capital	80,000	Plant and machinery	80,000
		B : Drawings (Current A/c)	9,400
	2,50,000		2,50,000

1. Half the stock was sold at 10% less than the book value and the remaining half was taken over by A at 20% more than the book value.
 2. During the course of dissolution a liability under action for damages was settled at Rs. 12,000 against Rs. 10,000 included in the creditors.
 3. Assets realised as follows:
Plant & Machinery- Rs. 1,00,000; Truck- Rs. 1,20,000; Goodwill was sold for Rs. 25,000; Bad Debts amounted to Rs. 5,000. Half the investments were sold at book value.
 4. A promised to pay off Mrs. A's Loan and took away half the investments at 10% discount.
 5. Trade Creditors and Bills payable were due on average basis of one month after 31st December, but were paid immediately on 31st December, at 12% discount per annum.
- Prepare necessary accounts. (8)

PART- B

(Financial Statement Analysis)

19. State whether cash deposited in bank will result in inflow, outflow or no flow of cash. (1)
20. Interest received by a finance company is classified under which kind of activity while preparing a cash flow statement? (1)
21. X Ltd. has a Debt- Equity Ratio at 3:1. According to the management it should be maintained at 1:1. What are the two choices to do so? (1)
22. List the items which are shown under the heading, 'Current Assets' in the Balance sheet of a company as per provisions of Schedule VI, of the Companies Act 1956. (3)
23. Prepare a Comparative Income Statement from the following: (4)

Particulars	31 st March, 2008	31 st March, 2009
Sales	140% of Cost of Goods Sold	140% of Cost of Goods Sold
Purchases	Rs. 2,50,000	Rs. 2,50,000
Cost of Goods Sold	Rs. 3,00,000	Rs. 3,00,000
Opening Expenses	10% of Cost of Goods Sold	10% of Cost of Goods Sold
Tax	40%	40%

24. Find the value of current liabilities and current assets, if current Ratio is 2:5:1, liquid ratio is 1:2:1 and the value of inventory of the firm is Rs. 78,000. (4)
25. From the following summarized balance sheets of a company, calculate cash flow from operating activities:

Particulars	31.3.2011 Rs.	31.3.2012 Rs.
I. Equity and Liabilities Share holder's funds:		
Equity Share Capital	1,00,000	1,00,000
Reserve and Surplus (Profit & Loss Balance)	30,000	60,000
Non Current Liabilities		
6% Debentures	60,000	80,000
Current Liabilities		
Creditors	30,000	35,000
Bills Payable	30,000	10,000
Other Current Liabilities	40,000	45,000
Total	2,90,000	3,30,000
II. Assets		
Non current Assets: Fixed Assets	1,50,000	1,90,000
Non current investments	40,000	30,000
Current Assets:		
Stock	40,000	55,000
Debtors	40,000	45,000
Cash	20,000	10,000
Total	2,90,000	3,30,000

Additional Information:

- (i) A piece of machinery costing Rs. 5,000, on which depreciation of Rs. 2,000 had been charged was sold for Rs. 1,000. Depreciation charged during the year was Rs. 17,000.
- (ii) New debentures have been issued on 1st Aug. 2011. (6)

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